Austria	Sch24	Indonesia	Rp3100	Pakistan	Rs35
Bahrain	Din0.700	Iran	Rls210	Philippines	Peso40
Belgium	BFr55	Israel	Shk3.50	Poland	Zl 9,000
Cyprus	C£0.90	Italy	L2000	Portugal	Es165
Denmark	DKr12.00	Jordan	JD1	Qatar	QR9.50
Egypt	E£3.25	Kuwait	Fils.500	S.Arabia	SR7.00
Finland	FM8.50	Lebanon	L£800.00	Singapore	S$4.10
France	FFr7.50	Lux	LFr55	Spain	Pta185
Germany	DM2.50	Malaysia	M$4.25	Sweden	SKr12
Greece	Dr180	Morocco	MDh8.00	Switz	SFr2.50
Hong Kong	HK$12	Neth	Fl 3.25	Thailand	Bht50
Hungary	Ft107	Nigeria	Naira10	Tunisia	Din0.800
Iceland	IKr160	Norway	NKr12.00	Turkey	L2000
India	Rs15	Oman	OR1	UAE	Dh7.00

EUROPE'S BUSINESS NEWSPAPER

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D 8523A

MCA TAKEOVER

Topic A in Tinsel Town

Page 21

World News

Bonn warns East German jobless total may hit 2m

The East German economy will remain in steep decline for several months at least after German unification next week, with unemployment possibly reaching 2m, a Bonn official said. Otto Schlecht, state secretary in the West German Economics Ministry, said the economic slump in the East was not likely to bottom out until the first half of next year. Page 16

India violence

At least six people were killed and several others tried to burn themselves to death in spreading violence across north India over a government plan to reserve more jobs for low-caste Hindus. Page 3

Religious freedom

The Soviet parliament approved in principle a new law on religion and the freedom of conscience, marking an end to decades of state persecution. Page 16

Pöhl warning

West Germany will not relax its strict anti-inflationary policy stance when revitalising the East German economy, Karl Otto Pöhl, the Bundesbank president, told the IMF-World Bank meeting. Page 4

Honecker spared

Lothar de Maizière, East German prime minister, said legal prosecution of Erich Honecker, the country's former leader, was unlikely after German unification. Page 6

Rice protest

Japanese farmers, carrying scarecrows to ward off US trade negotiators, marched through Tokyo demanding the government maintain a ban on rice imports. Page 7

Greeks strike

Greek industry was paralysed when more than a million workers began their third 48-hour strike in protest against a government-imposed austerity programme.

Cuban shortages

Cuba extended rationing of food, clothes and household items and restricted sales of prized electrical goods in a further sign that it was suffering from the disruption of Soviet imports.

Manila bombing

Philippine rebels threw dynamite at the Coca-Cola and Pepsi Cola bottling plants during attacks in Manila. There were no casualties.

Bhutto ruling

Ousted prime minister Benazir Bhutto's supporters hailed a court decision to overturn last month's dissolution of one of Pakistan's four provincial assemblies. Page 3

Cambodia setback

Cambodian premier Hun Sen told a rally that attempts to bring peace to the county had stalled and blamed guerrilla groups for rejecting the plan proposed by their own leader, Prince Norodom Sihanouk.

Istanbul shooting

Hiram Abas, former deputy head of Turkish intelligence who played a major role in military coups in 1971 and 1980, was shot dead in Istanbul.

Novelist dies

Alberto Moravia, Italy's best-known contemporary novelist, died aged 82.

Cocaine killing

Gunmen killed 18 people at a ranch in Colombia in what officials believe is a feud between cocaine cartels.

Tokyo troops move

The Japanese government is planning legislation that will allow Japan to dispatch military personnel overseas for the first time since World War II, to join a proposed United Nations Peace Corps.

Business Summary

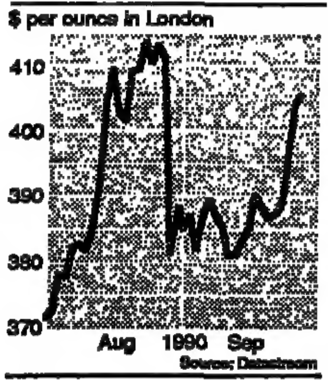
Nikkei drops 1,000 points on its ninth worst day

The Nikkei average suffered its ninth largest single-day decline of more than 1,000 points, falling well below the key resistance level of 23,000.

Selling gathered pace after the mid-session to take the index down a net 1,108.70 to end at 22,250.62. This wiped out over 2½ years' of gains and many leading issues reached year lows. Back Page, Section II

GOLD closed slightly ahead on London bullion market after dipping below $400 a fine ounce. Traders said volatility was linked to fluctuations in crude oil prices. Gold futures on Comex were also volatile: by mid-session the active December contract was at $412 an ounce after dipping to $404 earlier. Page 32

Gold price



US BUDGET: More than 1m employees of federal government may face suspension without pay for up to three days a week from Monday unless a breakthrough is reached in budget deficit talks. Page 16

RODAMCO: Shares in Dutch property investment fund owned by the Robeco group fell heavily on the Amsterdam bourse when the market was first able to react to Monday's news that Rodamco has suspended policy of re-buying its shares at net asset value. Page 18

HOLDERBANK Financière Glaris of Switzerland, holding company for world's leading cement manufacturing group, announced a takeover offer for Australia's Queensland Cement. Page 17

US banking system should be reformed to end structural restrictions, according to William Seidman, chairman of Federal Deposit Insurance Corporation (FDIC). Page 16

CERUS, French holding company controlled by Carlo de Benedetti, has shed a further 4.4 per cent of stake in Société Générale de Belgique (La Générale). Page 17

SOUTH African financial institutions – Allied, United, Sage and Volkskas – are discussing merging their interests into a new diversified financial services group. Page 21

EPEDA-Bertrand Faure, diversified French car-seat maker, is to become sectoral leader after an acquisition in West Germany and a joint venture in Canada. Page 20

NORWAY has suspended negotiations on plan to supply natural gas to Sweden to allow time for the Swedish government to reach agreement on its energy policy. Page 32

BRITISH government may abolish some or all of its rules restricting new carriers from offering air services out of congested London airports in a move to increase competition. Page 16

BRAZIL has not ruled out making an interest payment to commercial banks while negotiations take place over a comprehensive debt restructuring package, Ms Zelia Cardoso de Mello, the country's economy minister, said. Page 4

Alan Bond: retirement is unlikely to be peaceful

Bond resigns, brings era to an end

By Kevin Brown in Sydney

MR ALAN BOND resigned yesterday from the board of Bond Corporation Holdings, more than two months after offering to quit as an inducement to creditors to accept a reconstruction of the group.

Mr Bond's departure marks the end of a 20-year period in which he set out to conquer the world with A$10bn ($8.3bn) of borrowed money, and lost. He is expected to retire to his mansion in Perth, Western Australia to await the dismemberment of the group by its creditors.

Two other directors – Mr Tony Oates and Mr Peter Mitchell – resigned with Mr Bond, although the group said all three would remain as consultants until the restructuring was completed.

The Australian Stock Exchange is understood to have demanded the resignations of the three men as the price for allowing Bond Corporation to retain its listing.

Mr Peter Lucas, the Bond Corporation director who has handled negotiations with creditors and the exchange, was appointed chairman.

Mr Lucas, who is understood to be the only Bond Corporation director who has the confidence of creditors, said Mr Bond's resignation was "a fulfilment on Alan's part of what he said he was prepared to do."

However, Mr Bond's retirement is unlikely to be peaceful. Bond Corporation, which has sold many of its holdings but still has interests in brewing, mining and the media, is being investigated by the National Companies and Securities Council, the corporate affairs watchdog, as well as a special investigator appointed by the West Australian state parliament.

Background, Page 18

Major says future price levels hold key to early British entry into ERM

By Peter Norman in Washington and Alison Smith in London

MR JOHN MAJOR, Britain's chancellor of the exchequer, yesterday sought to disarm criticism of the London government's economic policy with a speech clearing the way for early UK entry into the exchange rate mechanism of the European Monetary System.

In one of the clearest statements yet of the timing of the proposed move, Mr Major said future movements in price levels between the UK and its European partners would be the key factor. His speech to the annual meeting of the International Monetary Fund and World Bank in Washington, however, failed to halt a fall in sterling.

The pound, which has recently strengthened on positive statements on the UK's ERM entry, fell 0.7 on its trade-weighted index to 93.1. It lost half a pfennig against the DM to close at DM2.9300, and against the dollar, sterling lost more than a cent, finishing at $1.8640. The fall in the pound underlined general concern about the outlook for the UK economy.

Meanwhile, Mrs Margaret Thatcher, the British prime minister, restated the government's commitment not to reduce interest rates. They would remain high "until their job is done", she told a meeting of Welsh businessmen.

Mr Major said inflation in Britain was about to peak and would diminish sharply next year after a short delay. At a press conference, Mr Major declined to specify whether this meant Britain could join the ERM before inflation peaked. Britain would join the ERM when it was in a position to make a success of it.

However, there has been a growing feeling among senior officials in other EC countries attending the meeting this week that ERM entry could take place in the next few weeks. Mr Major's statement added to this impression. For other industrial countries, crisis in the Gulf would inevitably bring higher inflation and slower growth.

In the short run, higher oil prices were likely to feed more quickly into the measured inflation rate in Britain than elsewhere because the government had not sought to prevent or delay the market's response to events in the Gulf.

He warned that Britain faced "the most difficult few months" in the current business cycle, with inflation continuing high while activity weakened and unemployment rose.

He stressed that full membership of the ERM was no panacea and that pain could not be avoided in reducing inflation. However, in time low inflation would lead to stronger growth and lower unemployment, he said.

Mr Major said that the ERM had credibility as a counter inflationary weapon."But what matters here is less the difference between headline figures, which measure what has happened over the last 12 months, than the prospective movements of price levels from now on," he said.

Mr Major also called on western creditor nations in the Paris Club to support his four point plan for easing the official debt burden of the poorest developing nations.

He said his proposals, which have been called the Trinidad and Tobago terms, won support from Commonwealth finance ministers, the IMF, World Bank, the secretary general of the United Nations and a large number of countries. He said he hoped the US would support his plans.

In North Wales, Mrs Thatcher delivered a stern warning to British business, saying that it should stop paying itself too much and that interest rates would remain high for some time.

Her comments were seen as a rebuff to Mr John Banham, the director general of the Confederation of British Industry (CBI), who earlier this week called for a cut in interest rates to avert recession.

Mrs Thatcher criticised the media as "voices of gloom" interpreting every economic statistic as "heralding the onset of a major economic downturn."

"Britain has tried soft options before and they only landed us in greater difficulty," Mrs Thatcher said. She called on business itself to help bring about an early reduction in inflation.

IMF/World Bank meeting, Page 4; BT and engineering industry expect redundancies, Page 7; September marks the month of fall, Page 8; Economic viewpoint, Page 15 London stock exchange, Page 33; Currencies, Page 40

Japanese banks support tunnel refinancing

By Andrew Taylor in London and Michiyo Nakamoto in Tokyo

THE SHORTFALL on the £2bn ($3.8bn) of additional loans needed to complete the Channel tunnel project between Britain and France has narrowed to less than £600m as more Japanese banks have agreed to provide extra finance.

The support of the 38 Japanese banks, which contributed a quarter of the £5bn orginally raised in 1987 by Eurotunnel, the Anglo-French consortium building the tunnel, is crucial to the refinancing. Many of the banks have been reluctant to provide additional loans.

About half the Japanese banks have now decided to support the refinancing following intense lobbying by leaders of the syndicate of 210 international banks which have funded the project.

A further dozen Japanese banks are understood to have agreed to provide additional loans if certain conditions are met. This still leaves about half a dozen banks declining to contribute new loans.

The new money is required to meet the estimated cost of the project which since 1987 has risen from £4.7bn to more than £7.5bn.

The shortfall on the additional loans has been reduced from about £900m in August, when Eurotunnel announced it was having difficulty in raising the extra finance.

The 22 banks leading the syndicate of 210 international banks is due to meet in Paris today to discuss ways of further reducing the gap.

The new loan package must be in place by early October if a £500m rights issue planned by Eurotunnel for early November is to avoid clashing with electricity privatisation issues in Britain.

The banks' options are to:

- Persuade the outstanding banks to come into line and support the new loans package.
- Persuade other members of the syndicate to increase their contributions to make up the shortfall.
- Refuse any further loans and halt the project.
- Allow Eurotunnel to continue to draw on the original loans until the financial climate improves.

The banks agreed last week that Eurotunnel could draw down sufficient money to finance the project until the end of November. So far about a third of the original £5bn loan package has been spent.

Japanese banks, although agreeing to support the loan package, still have doubts about the wisdom of putting up more money. They fear that the cost of the tunnel could rise further with UK inflation and interest rates remaining high and oil prices increasing.

A sharp fall in Japanese stock and bond markets has undermined the banks' prospects of attaining capital adequacy ratios required by the Bank for International Settlements. This has meant they are reluctant to increase assets.

There also has been criticism of the request by Mrs Margaret Thatcher, the British prime minister, to Mr Toshiki Kaifu, her Japanese counterpart, to urge his country's banks to support the extra loans. The feeling is that the UK government has no business demanding additional loans if it refuses to put up funds itself.

Polly Peck mystery deepens as detailed account still awaited

By Clay Harris and David Barchard in London

THE MYSTERY surrounding Polly Peck International deepened yesterday as directors, meeting for a sixth consecutive day, again failed to issue a statement. Trading in the company's shares, suspended last week, cannot resume until a statement is made.

The consumer electronics, fruit trading and leisure group, gave no explanation for its continued silence. Last Friday it promised a detailed statement by early this week.

The company is believed to have forwarded a draft statement to the London stock exchange's quotations panel yesterday morning, without receiving a satisfactory reply by last night.

The uncertainty contributed to a 10 per cent fall in the share price of Standard Chartered, one of Polly Peck's main bankers. It has disclosed it has exposure of about £50m ($94m).

Polly Peck shares were suspended last Thursday after police attached to the Serious Fraud Office searched the offices of South Audley Management, a company associated with the Nadir family. The SFO also interviewed Mr Asil Nadir, the company's chairman, for several hours.

Failure to find a route out of the current impasse, which may reflect either internal deadlock or disagreement with the stock exchange, would raise the prospect that Mr Nadir could leave one or both of his positions of chairman and chief executive.

The board, in that case, might want to appoint an eminent external figure as chairman. However, Mr Mark Ellis, corporate development director, and Mr David Fawcus, who next Monday is to move from the position of finance director to that of deputy chief executive, would expect to play key roles, at least in transition.

Polly Peck has total borrowings of about £840m, 80 per cent more than its market capitalisation at last week's suspension price.

Standard Chartered said yesterday: "We have dealt with Polly Peck for a considerable period of time, though we only became a major adviser to them at the time of the Del Monte purchase last year."

Two other large UK banks, Midland and National Westminster, said they had relatively small amounts of lending to Polly Peck, while Barclays said it had none at all. Lloyds declined to comment on its possible exposure.

Barclays is believed to have ended all its exposure to Polly Peck more than three years ago, although yesterday it would give no reason for having done so. Its subsidiary, Barclays de Zoete Wedd, acts as joint broker to Polly Peck. Among non-UK banks, Société Générale of France is believed to have lent to Polly Peck.

In another development, the sale of 450,000 Polly Peck shares during Mr Nadir's brief buy-out approach in August was disclosed, six weeks after the dealings should have been revealed under the Takeover Code. The disclosure was made from Switzerland by a company called Blade Explorations.

Group sought Swiss residence for Nadir, Page 24

US will withdraw 40,000 troops from Europe

By Lionel Barber in Washington

THE US is to withdraw 40,000 troops from western Europe over the next 12 months.

Yesterday's announcement was made in anticipation that an east-west agreement reducing conventional forces in continental Europe will be signed shortly, the Pentagon said yesterday.

The withdrawals affect 30,000 US Army and 10,000 US Air Force personnel. Much deeper cuts in the current 300,000-strong US force in Europe will follow, once Nato and Warsaw Pact negotiators complete their agreement on conventional force reductions (CFE), almost certainly before the end of the year.

Some of the 40,000 troops could be sent to Saudi Arabia to relieve US forces dispatched under Operation Desert Shield, but no decison has been taken, Mr Pete Williams, chief defence department spokesman said.

The troop reductions further underline the decline in the Soviet threat in the European theatre, but also reflect continuing pressure on the US military budget.

Last month, Mr Richard Cheney, US defence secretary, announced plans to close 128 overseas military bases, the single biggest cutback since the Second World War.

The bulk of the reductions are likely to come from units stationed in West Germany where the US has more than 200,000 military personnel. One political benefit of yesterday's announcement is that it just precedes formal unification of West and East Germany on October 3.

While some of the US forces could move to Saudi Arabia to rotate some of the troops stationed there since August 2, others are expected to return to the US service on active duty. The remainder could end up leaving the military, or moving into the reserve.

Under the proposed CFE treaty, the US and Soviet Union have agreed to reduce their forces in the central region of Europe to 195,000 on each side.

But congressional pressure for deeper cuts on the US side is growing, fuelled by the knowledge that many of the Soviet Union's former allies in eastern Europe have virtually ordered the Red Army to leave.

Crisis in the Gulf, Page 2

CONTENTS

Why Kaifu's New York jaunt threatens to be a nightmare

Rampant anti-Japanese sentiment in the US fuelled by Japan's *procrastination* over the Gulf threatens to mar tomorrow's visit by Mr Toshiki Kaifu, the Japanese prime minister

Page 3

MARKETS

STERLING
New York lunchtime:
$1.8710
London:
$1.8640 (1.8765)
DM2.930 (2.935)
FFr9.810 (9.8250)
SFr2.4425 (2.440)
Y255.75 (257.50)
£ index 93.1 (93.8)

GOLD
New York: Comex Dec $412
London:
$405.375 (404.25)

N SEA OIL (Argus)
Brent 15-day NOV
$38.10 (37.85)

Chief price changes yesterday: Page 17

DOLLAR
New York lunchtime:
DM1.56475
FFr5.2370
SFr1.3010
Y136.95
London:
DM1.5720 (1.5640)
FFr5.2625 (5.2350)
SFr1.3110 (1.3005)
Y137.20 (137.25)
$ index 62.8 (62.5)
Tokyo close: Y137.40

US lunchtime rates
Fed Funds 8¼%
3-mo Treasury Bills:
yield: 7.57%
Long Bond:
96 1/32
yield: 9.13%

STOCK INDICES
FT-SE 100:
2,000.0 (+0.8)
FT Ordinary:
1,532.6 (+6.0)
FT-A All-Share:
966.97 (+0.2%)
New York lunchtime:
DJ Ind. Av.
2,455.69 (−29.95)
S&P Comp
304.09 (−4.17)
Tokyo: Nikkei
22,250.62 (−1,108.70)

LONDON MONEY
3-month interbank:
closing 14 13/16% (same)
Liffe long gilt future:
Dec 81 7/8 (82 31/32)

CRISIS IN THE GULF

Hurd calls for regional security system in Gulf

By Robert Mauthner and Michael Littlejohns in New York

MR Douglas Hurd, the British foreign secretary, yesterday backed the idea of a new regional security structure for the Middle East after Iraq withdrew from Kuwait.

Addressing the UN General Assembly, he said it was for the states of the region themselves to decide how this should be done. "No-one will attempt to impose the system on them," he said.

He cited as a good example the Conference on Security and Co-operation in Europe, which allows 35 nations to conduct a political dialogue and establish common principles ranging from respect for borders to questions of human rights.

"There is transparency through confidence and security-building measures," Mr Hurd said. All of this means that states could increasingly trust one another and feel secure.

In this context, Mr Hurd said that while Iraq's occupation of Kuwait dominated world attention, this must not be allowed to obscure the need to find a just solution to other issues in the region, particularly that of the Palestinians.

"We have no intention of forgetting that unfinished business," he said. "But any solution to that problem will have to rest on respect for international law and of engagements entered into."

It was clear that the chances of a more secure world order depended directly on the success of the international coalition in bringing about Iraqi withdrawal from Kuwait. "How we act now will shape the next decade," he said.

Mr Hans-Dietrich Genscher, the West German foreign minister, said in his address that the United Nations was at "an historic hour" and its peacekeeping potential under the charter must be fully exhausted."

The UN's task in this decade was to develop further the international legal system in order to ensure mankind's survival. "Never before was a generation's responsibility for the future greater," he said. "But never before were there such opportunities for new thinking and new action."

Fresh systems of co-operation and securing peace, both global and regional, were needed.

UK petrol distributors hold fire on price rise

By Steven Butler

BRITAIN's main petrol distributors yesterday held pump prices steady and defied expectations that they would match the increase announced on Tuesday by Texaco.

The Texaco increase – up 7.3p a gallon for four-star to 241.4p – followed the sharp increase in spot market crude and petrol prices on Monday. Spot market prices however were weaker on Tuesday. Yesterday other companies said they were waiting for a trend to be established before deciding whether to put up prices.

Prices fell again yesterday morning following the release of the weekly American Petroleum Institute stock report, which showed an unexpected 5.28m barrel increase in US petrol stocks in primary inventory. US stocks are now higher than a year ago, while demand is expected to be weak.

Distillate fuel stocks rose by 3.2m barrels, while crude oil inventories fell by 5.75m barrels. Refinery utilisation also fell from 94 per cent of capacity to 92.8 per cent, while crude oil imports dropped from 6.03m b/d to 5.67m b/d.

Economists at the Royal Bank of Scotland said mid-September spot market petrol prices would justify a forecourt price of 240p a gallon, about 10p higher than most actual prices.

They also defended the behaviour of the oil companies and argued that they had in fact subsidised motorists over the past two months.

"Indeed, if a criticism were to be made of the oil companies it is that their subsidisation of the motorist over the last two months is counter-productive. The price mechanism is one of the most effective methods of regulating demand for a product," they said.

"As world oil supplies are threatened it is better to choke off demand than to be faced with a physical supply shortfall which could lead to a *rundown of strategic oil* stocks and put the world even more at the mercy of Opec producers such as Iran and Libya."

Tony Andrews

Hectic trading on the International Petroleum Exchange in New York yesterday

Saddam could 'lash out' warns Cheney

By Lionel Barber in Washington

PRESIDENT Saddam Hussein of Iraq is increasingly likely to lash out militarily to break the tightening United Nations economic embargo, Mr Richard Cheney, US defence secretary, said yesterday.

Mr Cheney's comments echo recent statements by top officials which could be interpreted as preparing the American public for war.

Reflecting the tense atmosphere, the White House was forced to deny a stock market rumour that President Bush had issued an ultimatum to Mr Saddam to pull out of Kuwait.

The administration remains concerned about Iraqi forces consolidating their hold on Kuwait, as well *as Mr Saddam's* weekend threat to attack Israel.

Separately, the Pentagon is closely watching signs that Iraq has increased its ground forces along the Kuwait border, with officials yesterday raising estimates of Iraqi forces in the area to 430,000 troops from an earlier figure of 360,000.

At the same time, the administration wants to maintain psychological pressure on Mr *Saddam, making clear to the* Iraqi president that the military option is credible and that he should therefore withdraw from Kuwait.

Pentagon officials said yesterday that the USS Independence, with 70 attack jets, would soon join other naval forces in the Gulf, the first time a US aircraft carrier had moved into the narrow strategic waterway since the mid-1970s.

Throughout the Gulf crisis, Mr Bush has stressed that he wishes to pursue diplomatic and economic sanctions as part of a collective effort to force Iraq to abandon its conquest of Kuwait and allow the legitimate regime to be restored.

The UN Security Council's vote on Tuesday in support of an air embargo is a further step towards tightening the economic blockade – though Mr Cheney said he did not expect US air forces to enforce the sanctions.

The resolution forbids the shooting down of aircraft, even if they are suspected of sanctions-busting.

Mr Bush is prepared to give sanctions time to work, but not indefinitely. At some point, he will review them and decide whether to take further, possibly military measures.

War fever in Washington has calmed, and most informed observers believe that the US and allied forces will not be ready to attack Iraq until November.

Jordan bans last Iraqi air link after UN embargo

By Our Foreign Staff

JORDAN said yesterday that it was cutting Iraq's last regular air link after the United Nations added an air traffic embargo to the network of sanctions over Baghdad's invasion of Kuwait.

The statement by Foreign Minister Marwan Qassem in New York followed the arrival in Amman of two Iraqi Airways flights from Baghdad carrying passengers who included expelled diplomats.

Earlier, Jordan had been unsure whether passenger flights were covered by the ban. The UK Foreign Office yesterday said they could continue unless they were carrying prohibited cargo.

Mr Qassem said that since sanctions against Iraq were adopted last month Jordan had allowed "a minimum number *of flights by the Iraqi Airways* due to humanitarian considerations, facilitating the movement of foreign nationals from Iraq and Kuwait.

"However, those flights will now be terminated in accordance with Security Council resolution 670," he said.

The UN Security Council voted 14-1 in favour of imposing the air embargo to shore up the existing prohibition on land and sea trade with Iraq.

The council permitted only humanitarian cargo, including food and medical supplies. Airlifts to evacuate foreigners stranded or held hostage in Iraq and Kuwait are allowed under the resolution.

NEWS IN BRIEF

PLO seeks Soviet backing for UN call

THE Palestine Liberation Organisation is seeking Soviet support for a Security Council meeting to discuss the Gulf crisis and the Palestinian problem, writes Lamis Andoni in Amman.

Mr Yaaser Abed Rabo, a PLO executive committee member who has just returned from Moscow, said yesterday: "Such a discussion could lead to a formula to tackle all of these problems." He said the Soviet Union did not oppose the idea "since it views a connection between all of these problems". But Soviet officials had said the US rejected linkage between solutions to the Gulf crisis and Arab-Israeli problems.

The PLO yesterday also welcomed peace proposals by French President François Mitterrand which suggest broad talks on Middle East issues, including the Arab-Israeli conflict, if Iraq withdraws from Kuwait.

Japan may send forces to Gulf

Japanese MPs will be asked today to consider legislation that would allow non-combatant forces to be sent to the Gulf, writes Ian Rodger in Tokyo. Japan's postwar constitution renounces "the threat or use of force as a means of settling international disputes", ruling out the dispatch of troops (which exist only for self defence).

But the Japanese are aware of the resentment Americans and others feel that Japan is not sharing the human risks of the Gulf operation. The government has tried to get doctors and other professionals to the Gulf but few have volunteered. Mr Toshiki Kaifu, the prime minister, has proposed that Japan establish a new force to be used only for peace-keeping operations authorised by the United Nations. The proposed force, of between 1,000 and 2,000, would be barred from combat duties.

US issues terror warning

The US yesterday warned its European allies that the restoration of ties by several extremist Palestinian organisations to Bagdhad had increased the threat of Iraq using terrorism against its western opponents, writes David Buchan in Brussels.

Mr Morris Busby, the State Department's co-ordinator for counter-terrorism, briefed Nato ambassadors and counter-intelligence experts from European capitals, and the 16 Nato allies agreed to intensify co-operation in this area.

Nato officials said terrorist groups had started to drift back to Bagdhad even before the Gulf crisis, with the Abu Nidal group and Mr George Habbash's Popular Front for the Liberation of Palestine re-opening offices in the Iraqi capital, while Mr Abu Abbas's Palestine Liberation Front had claimed responsibility on Baghdad radio for its May 30 raid on Tel Aviv. Since the Gulf crisis erupted, these links had grown more solid, officials said.

Belgian offer

BELGIUM yesterday offered to add four military transport aircraft and a frigate to its forces in the Gulf and said it could further increase its contribution if needed, AP reports from Brussels.

Belgium already has two mine hunters, a supply warship and two transport aircraft in the Middle East.

Soviet denial

Moscow said yesterday it had 150 experts in Iraq, dismissing US reports of up 1,000 Soviet military and civilian advisers in the country, Reuter reports from Moscow.

"The Soviet Foreign Ministry says there are only 150 advisers in Iraq," said spokesman Mr Gennady Gerasimov. "Let them prove there are 1,000."

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INTERNATIONAL NEWS

Singh appeals to students to talk on jobs quotas

By K.K Sharma in New Delhi

MR V.P. Singh, the Indian prime minister, went on national television last night to appeal to students to negotiate with the government, as eight more people were killed and 200 injured in rioting across north India.

The special broadcast was the first the prime minister has made since taking office ten months ago and underlines the gravity of the turmoil he faces over his programme to reserve more government jobs for the lower castes.

Visibly moved, the prime minister said that "in two decades of political life nothing has caused me more professional anguish" than the attempts by students to set fire to themselves, in protest at the job reservation measure.

The main student organisation has refused negotiations with the government until it withdraws its plan to reserve 27 per cent of jobs in government service and the public sector for the backward castes.

Mr Singh noticeably did not offer to do this last night but he said a dialogue was necessary to ensure that job opportunities were expanded and not restricted. He said – in words that held out some possibility of compromise – that he was ready for any steps that were compatible with social justice.

Mr Singh is under heavy pressure from the opposition Congress party and the right-wing Bharatiya Janata Party (BJP) and Marxists which support his National Front government, as well as from within his own ruling Janata Dal, to take action to quell escalating violence over the job reservation scheme.

At least six people died and several others tried to burn themselves to death yesterday, over the plan. Thousands of students continued yesterday to disrupt life in New Delhi and north Indian states by attacking buses, trains and government property.

Mr Singh has so far just authorised Mr S.R. Bommai, president of Janata Dal, to conduct the negotiations. A leading problem is that it is difficult to identify student leaders to negotiate with since the agitation has spread spontaneously to thousands of schools and colleges.

Mr Singh's inability to check the growing violence is also causing concern within his own party. His political rivals such as Mr Chandra Shekhar, who aspires to the prime ministership, and Mr Devi Lal, who was recently dismissed as deputy prime minister, have let it be known they are are unhappy with the handling of the issue.

Although offering to discuss ways to increase employment opportunities, Mr Singh said: "Should a situation arise in which I have to choose between a cause that I believe in so intensely and my chair, I will not hesitate for an instance to choose the former".

● The reservations issue is certain to dominate the coming parliament session, but its main purpose is to enable president's rule to be extended in Punjab.

President's rule can normally be imposed in a state for a year. In the case of Punjab, however, the constitution has been amended several times to enable it to be extended for four years. The current term of president's rule expires on November 10 and, unless it is extended further through a constitutional amendment, elections must be held in the state.

There is considerable uncertainty over the matter, since a constitutional amendment requires a two-thirds majority in both houses of parliament. Since Mr Singh's National Front is in a minority, it needs the support of Mr Rajiv Gandhi's Congress party to have the amendment passed.

Although Mr Gandhi has questioned whether it is possible to hold fair elections in Punjab, he has not yet promised to support the amending bill since he says the government has no plan to settle the Punjab issue. The session has been called, however, in the expectation that Congress support for the bill will eventually be available.

Kaifu's New York jaunt becomes a nightmare

Ian Rodger reports from Tokyo on results of growing anti-Japan resentment in the US

SPARE A thought for Mr Toshiki Kaifu, the Japanese prime minister.

Tomorrow he begins a four-day visit to New York, originally intended to focus on nothing more controversial than the United Nations convention on the rights of the child.

Instead, he will have to spend most of his time trying to overcome widespread public resentment in the US of Japan's delays in deciding measures to contribute to resolving the Gulf crisis.

As if that is not challenge enough, a number of mines have unexpectedly been strewn in his path. A comment last week by Mr Seiroku Kajiyama, the Japanese justice minister, that prostitutes in Tokyo's red light district were like blacks in the US, in that both ran down the quality of their respective neighbourhoods, has infuriated many Americans.

Mr Kajiyama has since apologised and the cabinet has called his statement "totally inappropriate", but Mr Kaifu may well be asked to explain why he was not sacked.

Other Americans will be anxious about the possibility that Matsushita Electric Industrial, the giant Japanese electronics group, may take over MCA, a leading Hollywood film maker. It emerged Tuesday that the two are in talks and this will undoubtedly be seen in some parts of the US as another attempt by Japan to buy the US soul.

Coincidentally, a long awaited book by Mr Pat Choate, a US economist and lecturer, raising alarms about Japan's lobbying efforts in Washington, is about to be published.

Kaifu: a lucky man

Mr Kaifu's plan for the weekend was to reach out to US public opinion through television interviews and a press conference. His aides were confident that he could make considerable headway if he just had to deal with the Gulf issue, especially as the government has come up with a $4bn package of measures, and is planning more. Now that he will have to face several other issues their confidence has thinned.

Mr Kaifu has been extraordinarily lucky since being catapulted from obscurity on the back benches to the prime minister's office a little over a year ago, as a result of a leadership vacuum in the ruling Liberal Democratic Party following the Recruit bribery scandal.

Although his more powerful colleagues frequently humiliate him he remains popular with the Japanese electorate, so the party bosses have not been able to dump him.

According to a poll taken early this month, his cabinet had a 54.2 per cent support rating, and was still growing in popularity largely due to Mr Kaifu's own credibility.

Mr Kaifu could hardly have expected to run into trouble on relations with the US; it is the one area where he has shown some skill and can claim some personal successes. He has built a strong relationship with President George Bush and used it to good effect, notably in steering the tricky Structural Impediments Initiative (SII) trade negotiations to a successful conclusion last spring.

Meanwhile, the bilateral trade imbalance, a perennial source of friction, has been declining sharply in recent months, leading many Japanese officials to believe that the worst might be over. "We thought Japan-US relations had bottomed out," a weary Japanese government official said early this week.

But Iraq's invasion of Kuwait has cruelly exposed Japan's Achilles' heel – how to deal with an international security issue that requires a collective response.

While the US, the UK and other governments quickly decided on action to deter Iraq from further aggression, Tokyo agonised for nearly a month over whether or not participation in such an operation would violate its pacifist constitution or upset neighbouring countries.

By then, US public opinion had been roused by congressmen who pointed out the inequity of a situation in which Japan, an economic superpower more dependent than any other developed country on Gulf oil, did nothing, while American forces were risking their lives.

Japanese officials, after some unseemly attempts in the early stages to draw attention to the country's own risks in the crisis, have begun to acknowledge their clumsiness in dealing with security issues.

"We now have a very resilient economic relationship with the US because it is tested regularly," a Japanese foreign ministry official said early this week. "But the security relationship cannot be tested until a crisis occurs. Although we responded with unusual speed this time, the level of expectation was way beyond our capability, so frustrations were raised," he said.

Whether Mr Kaifu can repair the damage to US perceptions of Japan caused by the crisis during his stay in New York this weekend, remains to be seen.

He certainly has a story to tell, and he can be a convincing advocate. But he will undoubtedly think back wistfully to the planning stages of this trip, several months ago, when all that was on his agenda was was speech at the world summit for children.

Court judgment in favour of Bhutto is blocked

By Farhan Bokhari in Karachi

PAKISTAN'S Supreme Court yesterday blocked a High Court judgment which briefly restored the provincial assembly of the North West Frontier Province. The earlier judgment had been not only a legal victory but also a moral boost for ousted Prime Minister Ms Benazir Bhutto.

A Supreme Court judge issued a Stay Order in Peshawar, the provincial capital, to override a High Court verdict restoring the assembly as it existed on August 6, before Pakistan's special and provincial assemblies were dissolved.

A full bench of the Supreme Court in Karachi later approved the Stay Order.

Earlier in the day the High Court had given its verdict in response to a petition filed by Mr Aftab Ahmad Khan Sherpao, Peshawar's former provincial chief minister, challenging the dissolution of the assembly.

Government critics were quick to claim this as a big moral and legal victory for Ms Bhutto. Mr Iqbal Haider, a leader of the newly formed People's Democratic Alliance – a coalition of political parties, with Ms Bhutto's PPP as the leading section – said: "It is now proved and established fact that the action of the dissolution of the assembly was without any lawful justification, hence illegal, unconstitutional and of no lawful effect."

Christian groups battle in Beirut

TANK and artillery fire rocked East Beirut yesterday, and machinegun fire raked the streets as rival Christian forces renewed their battle for supremacy, Reuter reports from Beirut.

Street fighting with mortars and machineguns broke out overnight between the Lebanese Forces militia supporting President Elias Hrawi and soldiers loyal to General Michel Aoun, intensifying at dawn into tank and artillery battles.

Security sources said at least four civilians had been wounded in the worst breach in two weeks of a ceasefire called in May. Thousands of troops loyal to President Hrawi have surrounded territory held by Aoun in the last two weeks.

Setback for prosecution in HK corruption trial

By Angus Foster in Hong Kong

THE PROSECUTION against Mr Ronald Li, former chairman of the Hong Kong stock exchange now on trial for corruption offences, received what may emerge to be a considerable setback yesterday.

Prosecutors had hoped to use a tape recording of a stock exchange meeting in 1987 to show Mr Li lied to Mr Robert Fell, a former chief executive of the London stock exchange, who was put in charge of the Hong Kong exchange following the 1987 markets crash.

But Mr K.W. Tsang, the former secretary to the exchange said a key sentence on the tape, recorded before Mr Fell was present, was not Mr Li speaking but, rather, another member of the exchange committee. The jury is expected to hear the full recording today, when Mr Fell gives evidence. Mr Fell is the final witness for the prosecution, in a case which has been running for nearly four weeks.

Mr Li has pleaded not guilty to two charges of accepting shares in Cathay Pacific Airways and Novel Enterprises, a garment manufacturer, as a reward for assisting with or not preventing the listing of the two companies in 1986 and 1987 respectively.

The court has heard that in both cases Mr Li telephoned the merchant banks advising on the issue and asked for placements of shares.

Kashmiri militants killed

INDIAN security forces killed 11 separatist Kashmiri militants and captured 32 near the border with Pakistan, police said, Reuter reports from New Delhi. More than 1,100 people have been killed since the separatist insurgency exploded in January.

Ben Bella sets sail for Algiers

Supporters of former president Mr Ahmed Ben Bella, aged 71 and overthrown in a coup in 1965 but hoping to return to power, yesterday urged Algerians to turn out in their tens of thousands to welcome him home from exile, Reuter reports from Algiers. He will arrive today at Algiers port from Barcelona.

Jail break-out

More than 100 prisoners, including Moslem extremists accused of storming a courtroom, escaped from an Algerian jail yesterday, Reuter reports from Algiers. The prisoners fled at dawn from the jail in Blida, 30 miles south of Algiers. The escapees included at least some of the 37 people arrested after a bloody attack on a courtroom last January in which a policeman and two of the attackers were killed.

Liberia relief ship

A Nigerian cargo ship carrying 1,000 Ghanaian troops and thousands of tonnes of food yesterday sailed to the Liberian capital Monrovia, where people are reported to be starving to death in the civil war, Reuter reports from Freetown. The reinforcements should raise to about 6,000 the number of troops in the five-nation force sent last month under the auspices of the Economic Community of West African States to try to end the nine-month conflict.

Cambodia stalemate

The Phnom Penh government yesterday dug in its heels against "unacceptable demands" from its guerrilla opposition and declared the Cambodian peace process had reached a stalemate once again, Reuter reports from Phnom Penh.

IMF/WORLD BANK MEETING

Belgium prepares for 'Big Bang' in January

By Peter Norman in Washington

BELGIUM has fixed the end of January as the date for the next step in liberalising its financial system.

Mr Alfons Verplaetse, governor of the Belgian national bank, in Washington for the annual IMF/World Bank meeting, said Belgium would end its previous policy of fixing interest rates of short-term treasury bills in consultation with the Finance Ministry. Instead it would establish on January 29 a domestic money market similar to those operated by other European nations.

This "big bang" in the Belgian financial system will follow the government's decision this year to link the Belgian franc more closely to the D-Mark and reduce to 10 per cent from 25 per cent the withholding tax on investment income.

While other countries have been worrying about raising interest rates since the Iraqi invasion of Kuwait, earlier this week Belgium cut its short-term interest rate for the fifth time since May. This followed an inflow of BFr35bn (£580m) of investment capital in August.

Three-month rates now stand at 8.95 per cent, down from just over 10 per cent in May. Premium over comparable DM rates has shrunk to 0.6 percentage points from 1.9 points.

Mr Verplaetse said Belgium was attracting funds from foreign investors while citizens were also repatriating savings previously held abroad.

On the assumption that oil prices settled at about $25 a barrel, Mr Verplaetse said inflation in Belgium could rise by about 2 percentage points to between 4 and 4.5 per cent. The current account balance-of-payments surplus, which totalled BFr74bn in the first eight months of this year, would be cut by between a half and two-thirds.

Brady spells out agenda for Gulf assistance

By Peter Riddell, US Editor, in Washington

THE International Monetary Fund and World Bank should "extend their hands" to assist the frontline countries and other nations affected by the Gulf crisis and higher oil prices, Mr Nicholas Brady, the US Treasury Secretary, said yesterday.

Echoing praise for the two groups expressed on Tuesday by President George Bush – in marked contrast to the coolness of the early Reagan years – Mr Brady stressed their long tradition of "confronting, sorting out and overcoming global economic challenges".

In particular, he said, the IMF should consider the following measures:

- Adjust access to borrowing for a wide range of countries badly affected by the Gulf crisis.
- Disburse more quickly assistance from the compensatory and contingency financing facility (CCFF).
- Widen the coverage of the "compensatory window" to include such costs as pipeline, transit, transportation and construction fees.
- Ensure that either through the compensatory or contingency windows of the CCFF, members can receive financing to compensate for the higher costs of oil.

Mr Brady said the World Bank should also provide wide assistance to those countries seriously affected. This could take the form of immediate grant and loan assistance to transport and resettle worker refugees, expansion of the bank's lending programmes, acceleration of disbursements, and stronger lending to the energy sector.

He was speaking just before the first meeting at the US Treasury of senior financial officials of the Gulf Crisis Financial Co-ordination Group, launched on Tuesday by Mr Bush. The group consists of a wide range of donor countries, including the Group of Seven industrial countries, the European Commission, South Korea and several Gulf states.

It sought yesterday to identify the needs of the frontline states – Egypt, Jordan and Turkey – and co-ordinate the distribution of assistance.

Mr John Major, the British Chancellor of the Exchequer, yesterday welcomed the formation of the group and said there was still uncertainty about "who would give what to whom, when". He expected a mixture of grants and loans and noted the distinction between short-term emergency aid and longer-term aid tied to specific conditions.

Some unease has been voiced by West German and Japanese officials about the pace of the US initiative. They are concerned they may be forced to pledge more money than already promised.

Brazil hints at bank interest payments

By Stephen Fidler in Washington

BRAZIL has not ruled out making an interest payment to commercial banks while negotiations take place over a comprehensive debt restructuring package, Ms Zelia Cardoso de Mello, the economy minister, said.

"Once the negotiations start, we are in business", and an interest payment before a final deal was concluded was a possibility, she said.

Brazil is about $8.3bn (£4.4bn) in arrears in interest payments to commercial banks, having made no payments to banks since June last year. Banks have been pressing for some payment to be made before final clearance is given to a $2bn standby loan from the International Monetary Fund.

Mr Michel Camdessus, the Fund's managing director, has said he would only recommend that the loan go ahead if he had evidence that negotiations between Brazil and its leading bank lenders were proceeding in good faith. He has not defined this precisely in public.

Brazil's position has been unclear. In some statements officials have appeared to rule out interest payments until a debt restructuring is finally in place.

Ms Cardoso said the country's foreign exchange reserves were inadequate – at about $8.5bn or 3½ months of imports – to sustain significant debt payments to commercial banks.

The government was committed to remit profits and dividends totalling $2bn by the end of the year which, together with scheduled interest payments, meant $12bn annually in payments abroad. Such sums harmed the country's economic stabilisation programme, she said.

The Gulf crisis would cost Brazil between $3bn and $4bn a year, based on oil prices of $30 a barrel, she said. Iraq was a significant trading partner, and Brazil has had to switch to other oil suppliers, notably Iran and Venezuela.

Government negotiators are expected to hold talks with leading creditor banks, led by Citicorp of the US, on October 10. Brazil will seek to gain significant savings from banks under the Brady initiative, the debt-lowering plan named after Mr Nicholas Brady, US treasury secretary. Up to a quarter of the IMF loan may be set aside to support a reduction of debt or debt service.

Ms Cardoso did not specify the extent of savings the government would seek, but said that although the government was working on one possible solution, any method of reducing the debt burden would be satisfactory. Brazil's aim was to reduce debt servicing to levels it could sustain over the long term.

Brazil also had commitments of $4bn a year over the next four years to the Paris Club of creditor governments, a result of earlier rescheduled maturities coming due. It needed to reduce these commitments by two-thirds.

Ms Cardoso said that over the next two years the government proposed to privatise almost $20bn of state assets. It was now finishing its proposals for the conversion of various types of foreign and domestic debt into shares in these companies. Privatisation would start around the new year with the sell-off of some steel, petrochemicals and fertiliser companies.

Zelia Cardoso: reserves inadequate

Pöhl rules out relaxation of W German anti-inflation policy

WEST GERMANY will not relax its strict anti-inflationary policy stance when revitalising the East German economy, Mr Karl Otto Pöhl, the Bundesbank president, warned yesterday, writes Peter Norman.

He told the annual meeting of the International Monetary Fund and World Bank that the transfer of real and financial resources to East Germany would be substantial but would not over-tax West German capabilities.

"It will not be bought by any concessions as far as monetary stability is concerned," he said.

Mr Pöhl predicted that East Germany's conversion to a market system would contribute favourably to the promotion of economic prosperity throughout the world.

He said the doors were open for companies from other countries to use the new business and investment opportunities that would follow from the unification of Germany on October 3, and that they would be welcome.

Mr Pöhl said the unification process had already led to a substantial reduction of Germany's large current account surplus and that this was clearly in the interests of a better balance in the international payments system.

The current account adjustment reflected mainly increased imports because of high domestic demand in East and West Germany, although the strength of the D-Mark on foreign exchange markets had also played a part.

Steep decline in East's economy, Page 6

NOTEBOOK

Kuwait Inc sets up as world's first offshore country

By Stephen Fidler and Peter Norman

KUWAIT is becoming the first offshore country.

As its finance minister has made clear at the IMF/World Bank annual meeting, Kuwait may be occupied but Kuwait Inc – estimated to hold at least $100bn (£53.7bn) in assets – is far from moribund.

Sheikh Ali Khalifa Al-Sabah insists the country's key institutions continue to function. Kuwait Airways, currently operating through charters and leases, is shortly expected to begin regular services to Cairo.

By the end of the second week of the invasion, the Kuwait Investment Authority was in full control of all its foreign assets. The Kuwait Petroleum Corporation continued to produce, refine and market oil and to look for it, he said.

The central bank was supporting the foreign operations of Kuwaiti banks. The government-in-exile was emphasising the necessity that the Kuwaiti banking system meet all its foreign obligations on foreign exchange and interbank transactions. Banks were in the process of reconstructing their books and "in a matter of weeks, we hope to solve this issue to the utmost satisfaction of the world banking community," the minister said.

Two Kuwait-based development funds "have regrouped skeleton staff and are expected to begin operations soon".

Sheikh Ali pledged $2.5bn to help countries immediately affected by the crisis, and said other support would be available.

■ The World Bank is scratching its head over three of its bond issues – those denominated in Kuwaiti dinars.

In one of the early actions after the invasion, Iraq put the Kuwaiti dinar – then worth about $3.40 – at parity with the relatively worthless and non-convertible Iraqi dinar.

This is not an action the bank can recognise, but it is left with the problem of how to make its interest payments and eventually redeem the three issues.

According to Mr Don Roth, the bank's treasurer, two small interest payments on two privately placed bond issues have already been made, because the bank had cash in the till.

The next payment on KD30m in Eurobonds is due next April – and the bank has sufficient Kuwaiti currency around to meet that payment. But Mr Roth will not be drawn on how payments will be made after that and how the bonds will be redeemed if there is no change in the Kuwait situation.

■ Be tantalising, charming but far from informative. If these are the qualities required of a Japanese finance minister, then Mr Ryutaro Hashimoto is acting his part perfectly.

Mr Hashimoto was self deprecating to the point of coquettishness when he appeared before the press here. As persistent news sleuths tried to find out whether he thought the US was entering recession, he said he felt as if he was "being examined for his doctoral thesis".

After a more than opaque answer, he asked the questioner whether she would give him a passing grade.

Twice during this week's meetings Mr Hashimoto has floated the idea of the world's leading industrial countries exploring ways of achieving greater stability between the currencies of the US, Japan and the European Community. But when questioned about this he insisted he had no thoughts, still less a blueprint in mind.

By contrast, Mr John Major, UK Chancellor of the Exchequer, appears positively candid when ducking questions on the date for UK entry into the exchange rate mechanism.

AMERICAN NEWS

'Substantial' jail term to be urged against Milken

By Nikki Tait in New York

THE US government is urging that Mr Michael Milken, who built up and administered the junk bond operations of Drexel Burnham Lambert, the controversial US investment bank which went into bankruptcy earlier this year, should face "a substantial term of imprisonment".

In a 215-page sentencing memorandum, finally made public in censored form yesterday, it catalogues alleged "other crimes" which it claims should be taken into account in setting a lengthy prison term.

Mr Milken, who is due to be sentenced on Monday, has already pleaded guilty to six felony counts related to unlawful trading and has agreed to pay $600m in fines and restitution.

In a strong rebuttal, his lawyers have denied these additional charges and also claim that, since they are not admitted, they should have no bearing on the sentence received. This is moot area in US law: an attempt to influence sentencing by introducing evidence of other crimes, not admitted by the defendant, proved unsuccessful in a separate case of insider trading case earlier this year.

However, in this instance, the goverment lawyers are arguing that the Milken case is "sharply different" because the former Drexel employee has already admitted multiple offences and "a broad conspricay charge".

"The six charges to which Milken pleaded guilty provide but a sampling of the larger pattern of criminal activity that permeated Milken's operation of the High Yield Department", claims the memorandum.

The 80 pages which are devoted to allegations of "other crimes" detail the behaviour of Milken and Drexel in transactions such as the proposed Diamond Shamrock/Occidental merger, a bid for Pacific Lumber, arbitrage in Phillips Petroleum when Mr T. Boone Pickens was active in the stock, and the potential acquisition of MGM/UA by Turner Broadcasting System.

Many of the allegations are linked to the activities of Mr Ivan Boesky, the former arbitrageur who has already served a prison term for insider trading.

The lawyers give three reasons for their belief that Milken should face a prison sentence. They claim that his "criminal conduct, as reflected by his guilty plea, was sweeping"; that he "has scarcely accepted responsibility for his crimes"; and that his sentence "will be used in criminal courts...as a model for how our justice system should treat white collar criminals."

The reply from Milken's lawyers' paints a colourful picture of their client's cosy family life, his involvement with charities and absence of personal gain from the admitted wrongdoing. But the government contends "his good works, however commendable, should not shield him from incarceration".

Mexico poll hit by row on selection procedures

By Richard Johns in Mexico City

THE ruling Institutional Revolutionary Party (PRI) has finally chosen candidates for all 121 muncipalities at stake in critical elections scheduled for the State of Mexico on November 11, but only after bitter disputes over selection procedures.

Facing the threat of defeat – if fraud is not used to prevent it – by the Party of the Democratic Revolution (PRD) which is contesting districts in the polls for the state legislature, as well as the town halls, less than a quarter of the PRI candidates were approved by voting procedures approved by the party convention and without dissent about breaches of the new rules.

Others had not been approved because of "lack of documentation" or because of disputes between different factions struggling for control of the party.

Wrangles over candidatures have twice forced the PRI headquarters in Toluca, the most populous state of the union, to bolt its doors to avoid the premises being taken over by protesting rank-and-file members.

In response to what amounts to an embarrassing deadlock the PRI's National Executive Committee has said that all complaints will be heard and committed itself to "free and democratic election of candidates".

"No one will save them from defeat" without genuine popular support, warned Mr Ignacio Picharda Pagaza, the governor appointed after his predecessor was dismissed following the crushing defeat suffered by the PRI in the July 1988 presidential and parliamentary elections.

Mr Luis Donaldo Colosio, national president of the PRI, was given three months to implement the changes approved by the National Assembly, but doubts about the resolve at grass-roots level to eliminate old abuses have been reflected in an analysis by Coparmex, the employers' confederation, released at the weekend.

This said that 20 modifications to the party statutes and a simplification of its declaration of principles "may not have much significance", asserting that modernisation of the country and its economy will be "incomplete" without complemetary modernisation of its party politics.

De Klerk wins golden opinions in Washington

US support is well ahead of Europe's, writes Lionel Barber

AT THE END of his brief but historic trip to Washington, President F.W. de Klerk wore a smile which suggested a job well done.

The three-day visit, which included an effusive welcome at the White House by President George Bush, exceeded Mr de Klerk's best expectations. "He has displayed an earnestness and identification with change reminiscent of the mid-passage Gorbachev," the Washington Post said yesterday.

Targeting the opinion-formers in the press and Congress was one of Mr de Klerk's main missions; but he was also keen to exploit his audience at the White House, the first official visit by a South African head of state since Jan Smuts came to Washington in 1945.

During his trip, Mr de Klerk came across as an articulate and flexible spokesman for his country, a far remove from some of his bull-headed predecessors. He invoked the name of Dr Martin Luther King; he called the US the strongest economic and military nation in the world; and he even uttered the words "one man, one vote" – though combined with guarantees to safeguard the white minority in South Africa.

The TV pictures beamed back home of Mr de Klerk and Mr Bush sitting alongside each other in the Oval Office on Monday were suggestive enough, particularly for the audiences back in South Africa. More important, however, Mr de Klerk was able to secure a pledge of tangible support for his effort to create a democratic post-apartheid society.

When Mr Bush pronounced the reforms in South Africa "irreversible", he adopted a politically loaded term which puts the US several steps ahead of its European allies. US officials, notably Mr Herman Cohen, the senior State Department official responsible for Africa, believe Washington's move should encourage the EC to lift some or all of its sanctions, perhaps as early as the end of the year.

This does sound a little brazen; after all, the US is about to press allies when its own hands are tied by the 1986 Comprehensive Anti-Apartheid Act, which sets down five conditions before sanctions can be lifted.

Administration officials say Mr de Klerk has met two of the conditions – entering into good-faith negotiations with black representatives and lifting the ban on democratic parties. In the coming months, they expect him to fulfil two more: freeing all political prisoners and lifting the state of emergency in Natal province.

The big bonus for Mr de Klerk came when Mr Bush said he would use his executive discretion to modify or suspend the sanctions once a minimum of four out of five conditions are met.

Mr Bush believes this can be done under a "broad" interpretation of the provisions of the act. Critics, notably some of the Congressional Black Caucus, want a "narrow" interpretation insisting that all five conditions are met (including, therefore, the repeal of the Group Areas Act and the Population Registration Act, the cornerstones of apartheid).

All this is reminiscent of the struggle between the Reagan administration and Congress over whether "Star Wars" development and deployment was allowed under the 1972 ABM Treaty – a struggle which congress won. The question is whether Mr Bush intends to press ahead at the risk of antagonising a Congress still heavily influenced by well-organised anti-apartheid activists such as Mr Randall Robinson, head of Trans Africa.

Mr Cohen, who has emerged as the driving force behind moves to encourage Mr de Klerk, wants the White House to take the plunge. Certainly there is no question of moving before next month's congressional elections. But if Mr Cohen is correct and the Europeans adopt the "irreversible" formula, then the time to watch for potential US moves would be early spring.

Mr de Klerk was able to secure a pledge of tangible support for his effort to create a democratic post-apartheid society.

Mr de Klerk made clear during his trip that time is of the essence. He wants to press ahead with negotiations with the African National Congress on a new constitution as fast as possible – not just because of the violence in the townships, but also because it is time for South Africa to play a constructive role on the African continent.

In a speech at the National Press Club on Tuesday, Mr de Klerk picked up this theme and spoke of the need to harness South Africa's economic power to revive the depressed, war-torn economies in the region. It was a good, if rather long-winded effort – but the best was to come.

Asked whether he could foresee a time when the prime minister of South Africa would be black, Mr de Klerk replied that blacks would doubtless fill many important government posts. Then he added: "Might be a prime minister, if there is a prime minister; we don't have one yet."

As Mr Howard Wolpe, chairman of the House Foreign Affairs sub-committee, remarked after meeting Mr de Klerk, it all comes down to the fine print.

President de Klerk addresses members of Congress on Capitol Hill

Defence sector cushions decline in US orders

US DURABLE goods orders fell by 0.8 per cent in August, less than expected by the markets. However, a sharp rise in defence orders – the first clear reflection of the Gulf crisis – masked a 1.6 per cent fall in civilian orders, writes Anthony Harris in Washington.

Orders for civilian capital goods, generally regarded as the best cyclical indicator, fell 4.4 per cent, apart from aircraft, and durable order books fell 0.3 per cent. Aircraft orders were weak, reflecting financial strain on the airlines. Total civilian capital goods orders fell 11.2 per cent.

The durable goods figures were regarded as consistent with a shallow recession, but other figures suggest a more mixed picture.

Mid-September car sales were higher than expected, at an annual rate of more than 7.9m, indicating inventories are low. Production is likely to be maintained for the time being at its annual rate of 7.2m, seasonally adjusted.

Personal incomes rose 0.3 per cent in August, as expected, but the savings rate fell, casting doubt over the accepted picture of consumer caution.

Shortfall in Soviet supplies forces Cuban rationing

CUBA'S communist government yesterday extended rationing of food, clothes and household items and restricted sales of prized electrical goods in a further sign it was feeling the pinch of the disruption of Soviet imports, Reuter reports from Havana.

The austerity moves signalled additional sacrifices for Cuba's long-suffering 10 million people, who despite free health care and education have endured rationing and shortages since the United States imposed a tight economic blockade on the island following Fidel Castro's 1959 revolution.

Less than a month ago, the government introduced stringent fuel restrictions and energy-saving measures to offset what it said was a shortfall in Soviet oil and other deliveries. It warned then of more cuts to come.

A sombre official statement published in yesterday's Communist Party daily Granma said the country was entering "a special period in time of peace".

This is the government's euphemistic term for a siege economy caused by a sharp fall-off in trade with East Europe and growing disruption of scheduled imports from the Soviet Union, by far the island's main supplier, because of economic problems there.

"We repeat that we must be ready to face even more difficult circumstances than the present ones," the statement said.

It follows Tuesday's warning from President Castro of large-scale unemployment.

In a move to ensure fair distribution and prevent hoarding and black marketeering, the government imposed controls on the sale of 28 food items which had previously been sold freely.

These included tinned meat, fish and fruit, fresh and frozen fish, cream cheese, pasta and even items such as ketchup.

Sale of these products would now be restricted by the family ration book, known as the "libreta", where 35 essential items are already listed, such as rice, meat, soap and milk.

More than 180 items of clothing, shoes and basic household and consumer goods were also transferred to the ration book, leaving only some limited expensive luxury goods, beyond the reach or needs of most households, on sale to the public without any restrictions.

Citing both uncertainties about future Soviet deliveries and the need to save energy, the government also restricted sale and distribution of refrigerators, television sets, air conditioners, fans, washing machines, blenders, radios, record players, electric irons, coffee-makers and pressure-cookers.

Japan's farmers march to retain rice import ban

By Robert Thomson in Tokyo

CARRYING scarecrows to ward off US trade negotiators, Japanese farmers yesterday marched through central Tokyo demanding that the government maintain a ban on rice imports to safeguard the country's culture and ensure food security.

Farmers' groups, sensing that the coming weeks will be crucial in the debate on agricultural trade, have intensified their campaign against an opening of the rice market as part of Japan's contribution to the Uruguay Round of negotiations under the General Agreement on Tariffs and Trade (Gatt).

With "No Gatt Sell Out" and "Stop US Rice" daubed on banners, about 2,000 farmers applauded speeches suggesting that rice was "basic to Japanese existence" and warning that rice imports would leave the country at the mercy of unreliable foreign suppliers.

Most criticism was directed at the US, with placards depicting a rice-laden US ship with a frightening set of shark's teeth, but EC countries were also condemned for urging Japan to open its rice market, while they maintain export subsidies for agricultural products.

The farmers later marched through the government district of Tokyo, where bureaucrats are still deciding whether to include rice on a list of subsidised and protected agricultural products that is due to be presented to Gatt by October 1.

Washington is expected to berate Japan if rice is left off the list, after recent US visitors, including Mr Clayton Yeutter, the agriculture secretary, have left with the impression that Japan will reform the rice market as a gesture of support for the reform of world trade.

Japan's agriculture ministry is still debating how to deal with the Gatt deadline, but it is understood that rice will be included on the list.

Tokyo will not, as is required, suggest a tariff level that could be used to replace the present ban.

Product supports are supposed to be listed under three categories: domestic supports, border measures and export subsidies. The rice ban falls into the second category, as do tariffs and quotas, and countries are required to propose a tariff level to replace their various non-tariff barriers.

The US, in particular, has supported this "tariffication" process, but some Japanese officials fear that suggesting a tariff level would be the first step in opening the rice market, and so rice will be listed but no additional information is likely to be provided.

Mr Tomio Yamamoto, the agriculture minister, recently told a gathering of the ruling Liberal Democratic Party, which is traditionally supported by farmers' groups, that Japan could "make it through the Uruguay Round" without lifting the ban, "if we put our lives on the line".

Leningrad airport to get face-lift

By Judy Dempsey

LENINGRAD'S Pulkovov airport looks set for a face-lift, including a new runway and a clutch of luxury hotels, thanks to the initiative of the city's town hall and a group of UK-based consultants.

The scheme, proposed last year by Mr Anatoly Sobchak, the mayor of Leningrad who backs radical economic reforms as a means of attracting foreign investment, involves a partnership between the city council and Aeroflot, the state-owned national carrier.

They have signed a contract with LCB consultants to develop the airport and back-up facilities.

LCB specialises in east-west trade investments, aviation and the travel industry and was set up four years ago as the consultancy arm of the German-owned DG Investment bank. It is now forming a consortium of international investors to back the scheme.

The package drawn up by LCB is initially worth \$500m (£267m). The consortium, which has already attracted West German and Swedish airlines, hotel and airport operators, will be put together by end of the year and work is expected to be completed by 1993.

Mongolia plugs in to the outside world

Angus Foster on how C&W is updating the country's antiquated telephone system

FIFTEEN Mongolian wrestlers hauling 18 tonnes of telecommunications equipment around Ulan Bator airport will probably be remembered as one of the oddest events to follow the country's opening to the outside world.

The equipment came from Hong Kong as the first step in a joint venture between Cable & Wireless of the UK and the Mongolian government aimed at bringing the country into the modern world of communications. Under a two-phase plan approved by the Mongolian government earlier this year, C&W is providing equipment and technicians to route telephone and telex traffic via the *recently-launched AsiaSat* 1 satellite, in which C&W has a 33 per cent stake.

Mongolia will then be plugged into the world system from Hong Kong, through equipment belonging to Hongkong Telecom, the colony's monopoly telephone company and a subsidiary of C&W.

The venture is small in scope and unlikely to be profitable in the early stages. Under the first phase C&W has installed equipment worth \$750,000 (£400,000) which will continue to belong to the company. A more ambitious second phase is due to come on line in time to celebrate the 70th anniversary of the People's Republic of Mongolia next July.

Mongolia's opening to foreign investors predated last year's collapse of communism in Eastern Europe and owed much to the reforming policies of Mr Mikhail Gorbachev, the Soviet leader.

Mongolia decided to restructure its economy in December 1988 and new investment laws were issued early last year. The decision followed nearly 70 years of vassalage to the Soviet Union, its northern neighbour. Mr John Slaughter, director of marketing in the Asia/Pacific region for C&W, said Mongolia needs to update its telecommunications system as part of its opening to foreign trade and investment.

So far, the company has installed a new satellite earth station in Ulan Bator, improved capacity for international telex and telephone traffic and is now training staff in Mongolia. By next July, the company hopes to have switched the country's international telephone system from an analogue to a digital network which will then be able to handle 30 simultaneous calls. Overseas callers will be able to dial Mongolia direct for the first time. There will be capacity for up to 100 telex customers and a second, larger, earth station will be ready.

Change will be dramatic to begin with because Mongolia's telecommunications network is so backward. Until the recent improvements, the country had only two telephone links with the outside world. International traffic was routed through Moscow while China traffic went to Peking. Trying to get a line in or out often took as long as eight hours, sometimes even three days.

The venture's success ultimately depends on how well Mongolia can attract foreign investors to come and use the equipment.

Asian and multinational companies have visited Mongolia to assess its natural resource and tourism potential. The economy is mainly agricultural but copper and timber is exported in addition to wool. However many remain cautious.

C&W is more optimistic. It is now trying to accommodate the Mongolian government's desire to broadcast next year's anniversary celebrations on nationwide television.

That will only become possible once the second earth station is in place and linked to AsiaSat. A network of smaller dishes across the Mongolian steppe could then bring television into the houses, and yurts, of the country's 2m people.

AT&T wins lion's share of Mexican cable contract

AMERICAN Telephone and Telegraph (AT&T) has won the lion's share of a \$216.6m project for connecting 54 locations in Mexico through a fibre optic network mainly directed at improving links with the US, reports Richard Johns in Mexico City.

The US company's share of a Telefonos de Mexico programme which involves laying 13,500 km of cable in a sizeable expansion of Telmex's system will be \$130m, or 60 per cent of the total cost, AT&T announced.

The US parent company is to supply cable and AT&T Network Systems of Spain equipment transmission.

They will be partnered by an affiliate of Ingenerios Civiles Asociados (ICA), the largest construction company in Mexico and Latin America. The project is due to be completed by the end of 1993.

Alcatel Indetel has been awarded about 27 per cent of the project for 3,000 km of cable under a contract worth about \$60m. Fujitsu of Japan and Teletra of Italy account for the balance of the business.

Market commentators suggested the decision to give AT&T the greater part of the contract was not unrelated to the determination of President Carlos Salinas Gortari's Administration to agree a free trade deal with the US.

In the past Ericcson and Alcatel Indatel, both with well-established manufacturing bases, dominated the Mexican telecommunications equipment market. But held an obvious advantage in bidding because of its control of long-distance transmission systems in the US.

Telmex is a 56 per cent majority state-owned monopoly scheduled for sale to a controlling group by December 20 with flotation of other shares on Japanese and US exchanges due next year.

Lesotho signs FFr2bn water tunnel project

By George Graham in Paris

THE LESOTHO Highlands Development Authority (LHDA) has signed a letter of intent for a FFr2bn (£200m) water tunnels contract with a consortium led by France's Spie Batignolles.

Part of the Lesotho highlands water project it includes three tunnels totalling 70km as well as the supply of electro-mechanical equipment.

When the project is completed in 2020, water will be transferred from four dams through underground tunnels to South Africa's Ash river, and from there into the Vaal dam which helps meet demands for water from the Pretoria-Witwatersrand-Vereeniging industrial triangle.

At the heart of the project will be the Katse dam which will be the biggest in sub-Saharan Africa. It is slated for completion by 1995, when water will start to flow to South Africa. Pretoria will pay royalties for use of the water, and these are expected to become the largest single contribution to government revenue.

The second major benefit will come from a LHDA hydro-power scheme, due to go to tender in 1992. This will make Lesotho, which takes over 90 per cent of its electricity needs from South Africa, self-sufficient in power.

The project will also allow the irrigation of Lesotho's plains.

The Spie Batignolles oconsortium includes Campenon Bernard, Balfour Beatty, Zublin and LTA.

Battle hots up for Turkey helicopter deal

By Jim Bodgener in Ankara

COMPETITION is increasing between foreign defence manufacturers for two choice contracts expected to be awarded by early 1991 in the Turkish government's drive to update its military equipment.

High priority is given to a project worth around \$2bn (£1.1bn) for 200 helicopters by the defence industry development secretariat (SAGEM).

Front-runner is the Sikorsky of the US with its Blackhawk troop helicopter. It is backed by an offer of \$1bn from the Export-Import Bank of the US, now more willing to lend because of Turkey's front-line support for the UN embargo against Iraq.

Other competitors for the contract are West Germany's Messerschmitt-Bölkow-Blohm (MBB), Italy's Augusta Bell, France's Aerospatiale, and Bell Helicopter, also of the US.

The second contract valued at around \$300m is for fire control systems for Oerlikon 35 mm anti-aircraft guns. The UK's Racal and Marconi with the local Teletas are competing against Signal of Holland and Switzerland's Contraves.

Four contracts have been signed this year in SAGEM's programme, a \$96m order to Marconi for battlefield wireless systems, a \$17m award to Italy's Augusta for training aircraft, and two associated orders for mobile radars and control centres valued at a total of around \$300m to France's Thomson-CSF and Aydin of the US.

World steel output forecast to decline

By Charles Leadbeater, Industrial Editor

WORLD steel production is set to decline steadily over the next three years, ending the period of relative stability steel producers enjoyed in the mid-1980s after the structural crisis of the 1970s, according to a report* published yesterday.

The report by the Economist Intelligence Unit (EIU) forecasts that production from the leading 33 steel-producing countries is set to fall by 4.5 per cent this year to 459m tonnes and to 454m tonnes in 1991. Output is expected to pick up again in 1992, reaching 473m tonnes.

Steel production was already starting to fall in most countries prior to Iraq's invasion of Kuwait, the rise in oil prices and the growing pessimism about the outlook for world growth.

The decline will be a challenge for most steel producers in the US and western Europe, where steel companies' financial performance has recently recovered thanks to booming markets in the late-1980s.

US production, which fell 1.9 per cent last year, is projected to fall by 12.1 per cent in 1990-91, while Japanese output is expected to fall by 5.2 per cent this year and by a further 1.7 per cent in 1992.

Production in the European Community is projected to fall from 138.6m tonnes last year to 131m tonnes this year and 129m tonnes next year.

The brunt of the cuts in production will be in West Germany, where production is expected from fall from 41m tonnes last year to a low of 37.8m tonnes. Output in the UK is projected to fall by 1.8m tonnes over the next two years to 17m tonnes in 1991.

However, production in the leading newly industrialising countries will not fall as much as in the developed countries. These countries – mainly Turkey, Yugoslavia, Brazil, South Korea, India, Taiwan and Mexico – will account for a growing share of world steel production.

Production from this group of countries, which was 6.3 per cent of world output in 1977, was about 18.7 per cent of world production last year and is projected to rise to 21.4 per cent by 1995.

The growing share of world steel output accounted for by developing countries, combined with slowing demand in the developed world in the next two years, could rekindle interest in steel trade policies.

**World Steel Forecasts, Special Report No 2058, is available from the Economist Intelligence Unit, 40 Duke Street, London W1A 1DW, price £435.*

Prosecution of Honecker unlikely says De Maizière

By Leslie Colitt in East Berlin

MR Lothar de Maizière, the East German prime minister, indicated that legal prosecution of Mr Erich Honecker, the former East German leader, and other senior Communist officials is unlikely after German unification on October 3.

Mr Honecker, who is 78 and ailing, was investigated by the East German authorities for allegedly squandering public funds and ordering border troops to shoot at escapees. But formal charges were never raised.

Similarly, Mr Erich Mielke, the head of the hated Stasi security police, was accused of falsely imprisoning citizens, breach of trust and perversion of justice.

The 82-year old former Politburo member remains in pre-detention custody, while Mr Honecker was given refuge with his wife in a Soviet military hospital south of Berlin. He was found by doctors to be too ill to stand trial. His economics chief, Mr Günter Mittag who was accused of corruption and misuse of public money, is still under investigation but was released from detention because of failing health.

"The greatest damage they wrought was of a moral nature and that would be difficult to prosecute," Mr de Maizière, who is a lawyer, noted.

At his last news conference before German unification, Mr de Maizière said he was against a unification amnesty for East German prisoners. Inmates in several East German prisons have taken part in non-violent revolts to underline their claims of having been wrongly sentenced for political reasons.

"The day of German unity cannot be used to release every murderer and drug dealer on to the streets," he said.

Portugal concludes judiciary report on corruption in Macao

By Patrick Blum in Lisbon

MR Carlos Melancia, the controversial Portuguese governor of Macao, is coming under increasing pressure to resign following accusations of bribery connected with the construction of a new $500m international airport in the Portuguese territory.

A judicial investigation into allegations of corruption that have been widely aired in the Portuguese press has been concluded and its results passed on to the public prosecutor's office. Charges are expected to be made against several leading officials in the territory, possibly including Mr Melancia himself.

Mr Melancia, a close friend of President Mario Soares who appointed him as governor, has denied any wrongdoing, but he is expected to offer his resignation later this week when the report from the investigation is made public.

Investigations began last February after the publication in Independente, a weekly newspaper, of a facsimile letter addressed to Mr Melancia detailing a payment of Esc50m ($359,700) for attribution of a contract for the airport. The report runs to 12 volumes of text focusing on the activities of several officials and businessmen linked to a West German company.

Mr Melancia is due in Lisbon today, officially for a "working visit", during which he will be confronted with the enquiry's results.

According to the state-owned daily newspaper Diario de Noticias, if the allegations are proven, Mr Melancia will face charges for passive corruption through third parties and a possible jail sentence of two to eight years.

Brittan complains about the practices of Eurocheque

SIR Leon Brittan, the EC competition commissioner, has written to Eurocheque, the European cheque payment company, complaining about a series of uncompetitive and questionable practices, Lucy Kellaway writes from Brussels.

He has also demanded that important changes be made to the functioning of the system.

His intervention coincided with the publication yesterday of a Green Paper laying down the urgent need to improve Europe's payments systems in general.

The Commission has considerable power over Eurocheque, which last year handled some 42m cheques with a value of about Ecu5bn (£3.5bn). Since 1984 the system has enjoyed a special exemption, which expired at the end of last year.

Greek workers stage third strike over pension scheme

By Kerin Hope in Athens

GREEK workers yesterday started a 48-hour general strike, the third in as many weeks, in a last-ditch attempt to make the conservative government withdraw legislation that will raise the retirement age and curtail over-generous pension schemes.

The strike closed schools, government services and public transport, adding to the chaos already caused by an 18-day strike by bank employees, power workers and rubbish collectors. Power cuts last up to 10 hours a day.

Outside the Bank of Greece yesterday riot police clashed with striking bank workers who were trying to prevent government officials from collecting several billion drachmas in cash from the Treasury in order to pay pensions and Greek servicemen's salaries.

Prime Minister Constantine Mitsotakis has already made a significant concession to the bank employees, promising a fresh study of their demand to retain a separate pension scheme under the new streamlined system. But he has rejected the unions' demand that the pensions bill should be redrafted.

Successive governments over the past 15 years recognised the need to overhaul the pension system, in which civil servants can retire in their 40s and privileged state employees are eligible for pensions equivalent to their highest monthly salaries.

Political fixers confident of securing a CFE deal

The Soviet obstructiveness and Western pessimism have now largely evaporated, David White writes

THE main pieces of an unprecedented multilateral pact to cut armament levels in Europe should be in place next week. If not, time is running out for a treaty to be ready for signature at the planned summit of the Conference on Security and Co-operation in Europe (CSCE), due to open in Paris on November 19.

Apart from the tasks of translating and arguing about punctuation, the Conventional Armed Forces in Europe (CFE) talks in Vienna between the members of Nato and the Warsaw Pact still face a number of unresolved issues. A foreign ministers' meeting in New York on Monday and Tuesday to prepare for the Paris summit will effectively be the deadline for settling most of them.

Without a CFE treaty to sign, the US says it has no interest in a Paris summit. Western officials, counting on Moscow wanting the summit to go ahead, say they are "tolerably confident" that a deal can be done.

Before the summer, Western negotiators complained of Soviet obstructiveness and feared a resurgence of hardline military influence. But these worries have been largely dispersed.

The two sides are already near agreement on the heavy ground weapons that Nato originally set out to limit when talks started 18 months ago.

For tanks, definitions and ceilings – 20,000 for each alliance from the Atlantic to the Urals – are agreed. A 30,000-a-side limit on armoured combat vehicles is almost settled. For artillery, the two sides concur on definitions but not yet on numbers. The Soviets say 20,000 a side. Nato, possessing 18,500 artillery pieces and unwilling to contemplate more, says 16,500.

Nato initially tabled proposals for only these weapon categories, aiming to curb the Warsaw Pact's massive numerical superiority. Aircraft and helicopters, which it believed would be harder to negotiate, were brought in later. On helicopters, the two sides are now on the verge of agreement. But aircraft are the biggest stumbling block, with a wide gap both on numbers and on the treatment of naval aircraft.

Nato wants to include land-based aircraft flown by the Soviet navy. In exchange the Soviets say US carrier-borne aircraft should be counted too. Moscow is as keen to get a foot into the door of maritime arms control as Washington is to keep that door closed.

Western officials foresee either a last-minute political "fix" on aircraft just before the summit, or a treaty without aircraft.

Another belated addition – a limit on Soviet and US foreign-stationed troops – has now been dropped. When President Bush proposed a 195,000-a-side figure seven months ago, it seemed a tall order to expect the Soviets to reduce to that level. But the Soviet withdrawals now planned from eastern Europe render the figure meaninglessly high.

As a result, the US will no longer be restricted to the additional 30,000 troops it reserved the right to keep in the outlying areas of Nato. This now gives it more leeway to reinforce Turkey, for instance.

Instead, overall troop levels in the central region are due to be tackled in talks held immediately after CFE signature and under the same mandate. Rather than continuing on the basis of alliance totals, these are likely to aim at an all-embracing manpower limit, with a maximum for any one country in the area.

This would serve to mitigate German concern about being singled out. Under an agreement reached in July, united Germany's armed forces are set to come down in the next four years to 370,000, compared with the West German Budeswehr's current 490,000. "We need a hedge in which to hide the German bush," said one Western arms control official.

Nato could table troop proposals at around the time of the Paris summit. After 16 fruitless years negotiating manpower in the MBFR talks (Mutual and Balanced Force Reductions, although even the title was never agreed), the aim this time would be a rapid agreement.

A subsequent new set of CFE talks, under a fresh mandate, probably widened to include all 34 CSCE countries, would be expected to focus more on building mutual confidence and reducing the risk of regional conflict.

The opportunity for the kind of conventional disarmament foreseen in the current CFE negotiations will soon expire. As it is, the Warsaw Pact is barely able to maintain a semblance of cohesion for the purposes of the talks.

Work on overall equipment limits is complicated by several other issues. One is East Germany's departure from the Warsaw Pact. Now that German unification has been brought forward, however, arrangements for this can be incorporated into the treaty rather than being added afterwards. East Germany's entitlements are to be kept by the rest of the Warsaw Pact, so that alliance ceilings can remain balanced. The other members will be able to hold more weapons as a result, but not the Soviet Union, which will be limited by the so-called "sufficiency" rule.

This – the maximum share of the total allowable to any single country - is one of the remaining CFE obstacles. Nato proposes a limit of 30 per cent of the combined total. In other words, the Soviets could have no more than 12,000 of the total 40,000 tanks. Soviet commanders have insisted on 14,000 – 35 per cent - and negotiators have recently been pressing for 40 per cent.

Another problem is the breakdown into zones, aimed at tackling the heavy concentration of forces around what used to to be known as the central front. After Soviet withdrawal, Nato could now enjoy a four-to-one advantage in its narrowly-defined central zone, covering Germany, Benelux, Czechoslovakia and Poland (see map). The Czechoslovaks and Poles might have around 1,000 tanks each, while Nato was able to exploit its full quota of 8,000 tanks.

Western officials recognise that this would create "presentational problems" for the Soviets. They suggest that the inner zone proposals may now be dropped. In a wider zone including France, Britain, Denmark and Italy on the Nato side and extending into the Soviet Union's western military districts, the picture would become less unbalanced.

Big differences also remain on how a treaty should be verified and monitored – with the Soviets only too aware that they would be the prime target for inspections, possibly not just from Nato but from some of their present allies.

Limits by zones: NATO's proposals

Soviet Union divided into military district

Ceilings on land weapons for each alliance		Battle tanks	Artillery pieces	Armoured combat vehicles
Zone 1	○+●+●+●	20,000	16,500*	30,000
Zone 2	○+●+●	11,300	9,000	20,000
Zone 3	○+●	10,300	7,600	18,000
Zone 4	○	8,000	4,500	11,000

* Overall total still under negotiation

German unity and Soviet withdrawals mean Warsaw Pact weapons in the innermost zone will be well under permitted limits. In Zone 3, the Pact's disadvantage would be less acute.

National council urges thorough overhaul of French tax system

By George Graham in Paris

COMPLAINTS have rained down over the years on France's income tax system, widely decried as one of the most complex, illogical, and unprofitable in the developed world, and on its social security contributions, far heavier than in most other industrialised countries. Now, both problems may at last be approaching a reform.

The assault on the income tax system is led by the national tax council, a body of distinguished senior civil servants which yesterday urged a thorough overhaul of the tax, recommending a switch to Pay As You Earn (Paye) deduction in a bid to make the reform easier to swallow.

France's version of income tax, the council says, is "of unparalleled mediocrity in its yield, its complexity, its progressivity."

The idea of Paye income tax has long been cherished by Mr Michel Rocard, the prime minister, but the complications of the current system, with no less than 13 different tax bands, quotients linked to the size of family, and a multitude of deductions for specific professions, has made it virtually impossible for employers to manage.

Mr Michel Charasse, the budget minister, recently proposed ending some of these specific deductions with the aim of simplifying the system, but since two of the most favourably treated categories are members of parliament and journalists, the reaction was predictably outraged.

Income tax rules have been so tinkered with over the years that now only one household in two pays any income tax at all, and the tax accounts for only 12 per cent of total government tax revenues, compared with 27 per cent in the UK and 29 per cent in Germany. But while income tax has been declining in yield, social security contributions, which in France are managed quite separately and out of parliament's control, have risen rapidly to cope with soaring health and pension payments.

Now the government plans to introduce a new social security tax, substituting for some existing social security contributions, which remedies both of these problems, and which in addition comes under parliamentary control.

SPD expresses polls pessimism

By David Goodhart in Berlin

THE German Social Democrats (SPD), whose eastern and western parties formally merge today, expect to win only one of the five new East German Länder which go to the polls on October 14.

With only two months to go before all-German elections on December 2, most SPD leaders privately believe they have little chance of replacing the current centre-right coalition, while party strategists believe that the East-SPD will win only Brandenburg, and perhaps be lucky enough to share power in Saxony.

Mr Willy Brandt, the honorary SPD chairman, along with other officials now see a participation in some form of temporary national coalition as the best that can be hoped for. "We must ensure that Germany cannot be ruled against the Social Democrats," he told the East-SPD.

Even Mr Oskar Lafontaine, the SPD's candidate for Chancellor, would regard as a "good result" any improvement on the party's performance in the last West German national eleciton in 1987 and the last national election in East Germany in March this year.

But the party's confidence is undermined further by Mr Lafontaine. Older Social Democrats such as Mr Klaus Dohnanyi, the former mayor of Hamburg, believe that he is "the wrong man at the wrong time". Mr Lafontaine also remains unpopular with many East-SPD officials.

But in a powerful addresss to th East-SPD, Mr Lafontaine repeated his pledge to place social issues at the heart of the election campaign. "For Helmut Kohl, unity ends on October 3, but for us it begins, ending only when living standards in both Germanys are equalised."

He said that poor preparation by the Government for monetary union in July had created a boom in West Germany and collapse in East Germany. He warned against hurriedly changing the German constitution to allow more active participation of German soldiers in the United Nations forces.

He also said that it would be fatal for Europe if the the new economic and social wall was to be built along the Oder-Neisse line, blocking out Eastern Europe.

The SPD's leader, Oskar Lafontaine, behind, and Willy Brandt

How German unification is giving Mitterrand ulcers

IAN DAVIDSON ON EUROPE

WHEN the question of German unification comes up, President François Mitterrand makes a great effort to stay calm. It doesn't worry him, he says, provided it takes place peacefully and democratically, and with due regard to Germany's external obligations. That is what has been happening, at French insistence; so everything is all right.

The fact is, German unification gives him ulcers. Ten months ago in Berlin, just before the rupture of the Wall, he protested that he was not frightened by the prospect of unification; but nobody had asked him if he was frightened. On Tuesday of this week, he insisted at length that German unification is an absolutely natural and rightful event: "What is the point of groaning, of delaying the obvious?" he asked.

But last week in Munich, the smooth presidential mask slipped. He was giving a speech which was supposed to be a toast of congratulation to Chancellor Helmut Kohl; but it turned into a bitter little tirade. History would not be decided by numbers of inhabitants or economic power, he said; France was satisfied with its frontiers and had no national complexes; there would be many conflicts, rivalries and misunderstandings in future – and not just in future. It was an acid performance which entirely belied the President's oft-repeated protestations of serenity.

Objective reasons for French anxiety are not hard to find. France has got used to German economic power, even though it effectively virtually defines France's economic policy options; but the compensating political ascendancy which France has hitherto enjoyed, as a legacy of the war, will now be sharply reduced through the restoration of German sovereignty and political independence.

The French and German governments agree on an accelerated programme of European integration; but in terms of political legitimacy, the French are uncomfortably aware that they will no longer be quite as necessary to the Germans as they used to be. France is still a nuclear power; but the advantage of possessing nuclear weapons is less evident than it was during the Cold War.

But if the French have misgivings in the face of German unification, it is not just for reasons of power or geo-strategy. On the contrary, the nation at large seems to be going through an introspective process of self-questioning, in which many of the deepest traditional values are at stake. The introspection is most obvious in the political parties.

The Socialist Party is currently trying to modernise its party platform so as to bring it into tune with today's needs.

A discussion document submitted to the party leaders starts with a sweeping list of questions: "What is the use of politics? What is the use of France? What is the use of the Socialist Party?" The suggested answers are tentative, but two points stand out: the party needs new doctrines, since the traditional socialist dogmas based on the class struggle and the factory economy are out of date; and despite the trend to internationalism, the party needs to confront sensitive issues of national identity.

Mitterrand: bitter little tirade

In party political terms, the term "national identity" is a clear reference to the problem of immigration: the traditional political parties have largely turned a deaf ear to the undercurrent of populist resentments which have accompanied the stressful restructuring of the French economy, and which have focused on the large presence of immigrants; and the result has been the rise of the National Front.

But the question of national identity has an altogether broader connotation in a new and fascinating forecasting study published by the government's Commissariat General du Plan. Called "Entering the 21st Century", it is subtitled more revealingly "Essay on the Future of the French Identity".

What emerges clearly from the book, is that the drafting committee, which included a group of distinguished French intellectuals, led by the historian Emmanuel Le Roy Ladurie, has deep misgivings whether France's institutions and value-systems are going to prove seriously out of kilter with what will be required in the new world ahead.

Some of the group's concerns are familiar anxieties related to socio-economic performance. How will France cope with an ageing population; and if retirement ages continue to decline while life expectancy expands, who will pay for the pensions? How will the young cope with growing up, amidst the increasing instability of family life? Will it be possible to raise the proportion of children taking the school-leaving *baccalauréat* examination to 80 per cent; and if so, is that the answer to the problem of education qualifications?

As the report acknowledges, these tensions are not more serious than those of other advanced democracies. But it goes on: "We have, however, the impression that many Frenchmen have doubts about the capacity of their country to meet successfully the dangers, opportunities and uncertainties which the future holds.

"We put forward the hypothesis that this pessimism betrays an unease, related both to the role of France in the world, and to the model of national action long characterised by the central position held by the French State: a disarray of national identity, at the same time as a loss of legitimacy of a state which traditionally had responsibility for mobilising national energies."

In short, the group questions the validity of the national myth of the Jacobin State, centralised and universalist.

One reason is that the national state has been overtaken externally, by the globalisation of the world economy. President Mitterrand may claim that "France is comfortably ensconced within its own frontiers", but the big multinationals simply flow round these national obstacles.

France has gradually adapted to this reality, by sloughing off its traditional reflexes of protectionism and state interventionism. But there are also profound internal challenges to the Republican myth. The forces of pluralism are in conflict with the claims of the monolithic state.

The report suggests that the French system has been overtaken by two other democratic models, the social-democracy of northern Europe, and the liberalism of the Anglo-Saxons. So what then is to be done? The report has no recipe, but draws a depressing conclusion from the failure of the French political system to evolve a reform process. "When one no longer tries to show the people how they can improve their way of acting and thinking, is it surprising that they lose their self-esteem?"

Brussels warning for machine tool companies

By Charles Leadbeater, Industrial Editor

THE hundreds of small, mainly family-owned companies which make up the EC's machine tool industry are in for a rude shock, according to a report prepared for the European Commission.

The report on the industry's prospects concludes that it will face a growing competitive threat from larger Japanese companies which are able to reap economies of scale in manufacturing, marketing and research and development.

It warns that the EC industry risks being "caught in the middle", neither able to match the technological proficiency of the larger Japanese producers nor the lower cost producers such as Taiwan specialising in relatively low-tech traditional machines.

The study, by WS Atkins, the British management consultants, concludes that as a consequence the European industry could lose out in both its domestic and export markets in the next five years. It says "there is a threat, especially in volume and some large specialist markets that EC producers will lose competitive advantage by being too small".

The study warns that without a series of mergers and acquisitions to exploit synergies in marketing, research and production the industry could fall further behind its competitors. Some manufacturers who are unable to gain sufficient size will be forced to become sub-contractors or distributors, the study predicts.

The EC's machine tool industry is the largest in the world, accounting for 35 per cent of world production and 31 per cent of world demand. It employs 168,000 people, in contrast to the 51,000 employed in Japan, 46,400 in the US and 14,000 in Switzerland.

However, the average EC machine tool manufacturer is much smaller than its Japanese competitor. There are more than 1,300 machine tool makers in the EC, compared with 213 in Japan and 269 in the US. The average EC machine tool company employs 128 people and has an average output of Ecu7.8m (£5.5m).

Only West German companies, which account for half the EC's machine tool output match the size of the Japanese. The average West German producer employs 247 people, compared with an average of 239 in Japan. However, output per employee is much higher in Japan, where the average company has a turnover of Ecu27m, almost twice the level of the average West German company.

Partly as a consequence of their size the Japanese are more efficient. The Japanese share of world production of machine tools rose from 14 per cent in 1980 to 24 per cent at the end of the decade.

European companies have lower labour productivity than Japanese competitors, which regard output of 200 machines a month as typical and 60 machines a month as the economic minimum.

In contrast, many European companies produce only 30 machines a month.

Japanese companies alter their product range more regularly and have a global approach to production, often because they are linked to larger automotive, engineering or electronics groups which have internationalised their operations.

Most European companies only manufacture in one country, although they have international distribution networks.

Although the EC industry is catching the Japanese in some areas of computer controlled machines, European companies have few leading position in new technologies such as electronic discharge machines, new materials and robotics, the report says. As a result of its fragmentation the EC industry "must suffer significant cost disadvantages by not realising economies of scale", the report adds.

The industry's profit margins are low at between 4 per cent and 6 per cent. It urges a consolidation of the industry through mergers, acquisitions and joint ventures to reap economies of scale, improve returns and spur product development.

Yet there is an enormous obstacle.

More than 70 per cent of Italian and West German machine tool makers, the main EC producers, are privately owned, often by the third generation of fiercely independent family owners.

Strategic Study on the EC Machine Tool Sector, is available from WS Atkins Planning Management Consultants Ltd, Woodcote Grove, Ashley Rd, Epsom, Surrey, KT18 5BW.

CITY OF LONDON RECRUITMENT

Financial sector faces skills shortage

By John Gapper, Labour Editor

THE City of London faces severe difficulties in recruiting skilled staff to fill an extra 46,000 jobs likely to be created over the next five years, according to a study of 500 City institutions published yesterday.

The study of employment prospects in the City, London's financial quarter, suggests the annual rate of job growth will slow to 2.5 per cent from a peak of 6.5 per cent in the three years running up to the Big Bang deregulation of financial services.

However, it predicts big problems for City institutions in attracting the right staff because 36,000 of the new jobs will be for highly-skilled "knowledge workers" who are now in scarce supply in the south-east of England.

Among the "knowledge workers" the study suggests will be in most demand will be software engineers, accountants, lawyers, senior bankers and analysts, and specialists working on financial instruments.

The study suggests the strongest proportionate growth in employment will be in legal services.

The employment shakeout in securities dealing is expected to continue, with further job losses of 4,000 over the next five years.

Mr Amin Rajan, the study's author, said City institutions would be unable to "vacuum" staff from companies in the south-east in the same way that it did in the mid-1980s. It would instead have to train workers better.

The study was jointly funded by the Government's Training Agency and a group of City employers called the London Human Resource Group. Its implications are to be discussed at a conference of European employers in London in December.

Mr Rajan said City employers would have to introduce new patterns of work such as part-time working and flexi-time in order to attract more staff.

It would also have to motivate them to stay by giving them more responsibility.

The study suggests that the City's labour market overheating of 1984-87 will be repeated on a smaller scale for highly skilled workers. It says a large majority of people sacked from City companies have been re-employed by others.

It found that about 54 per cent of the City workforce of 357,000 were "knowledge workers." Forty-four per cent were men and 10 per cent women, although an increasing proportion of such jobs is expected to be taken by women.

Most companies questioned expected to increase training expenditure in order to cope with skills shortages. However, most companies are spending no more than 3 per cent of their payroll budget on training at the moment.

UK engineering sector 'heading for recession'

By Patrick Harverson

THE UK's combined engineering industries are heading towards recession, according to the latest economic trends report from the Engineering Employers' Federation, which has forecast four consecutive quarters of lower output and employment.

The overall level of engineering output of UK companies will fall by 5 per cent from mid-1990 to mid-1991, reducing the value of total sales (adjusted for inflation) from an estimated £127.4bn this year to £123.6bn in 1991, says the report.

The worst hit sectors will be those most heavily dependent on UK manufacturing investment demand, such as electrical and instrument engineering, and mechanical engineering. In both sectors output is forecast to fall by 7 per cent. The only area expected to report positive growth over the next year is aerospace equipment engineering, which is forecast to enjoy 8.5 per cent growth over the 12 months.

The drop in output will be accompanied by an estimated loss of 80,000 jobs throughout the industries, leaving just over 2m in the total workforce. The largest fall is expected to be in mechanical engineering.

Serious Fraud Office to start inquiry into collapse of case

By Emma Tucker

THE SERIOUS Fraud Office (SFO) in London is to start an inquiry into the collapse of the Hill Samuel case in which five men were accused of conspiracy to defraud the merchant bank of £60m.

Charges brought by the SFO against four of the men were dropped at Knightsbridge Crown Court in London on Tuesday when Mr Stuart Moore, prosecuting, offered no evidence.

Last week, Mr Gary Blake, a former employee of Hill Samuel, the merchant bank, who was also charged with the alleged conspiracy, was acquitted at a pre-trial hearing.

Judge James Mendl, who said on Tuesday he was sure there had been an attempt to swindle the bank, criticised the SFO for withholding evidence from the defence.

The case was based on an alleged attempted fraud on the bank in October 1988. Mr James Colla, Mr Michael Fage, Mr Leslie Harrison and Mr Alberto Loucaides – none of whom worked for Hill Samuel – allegedly used forged cable forms to defraud the bank by authorising the transfer of funds to overseas banks.

Hill Samuel discovered the same day that the payments had been authorised and blocked them, thereby suffering no losses.

The case against Mr Blake was thrown out after the judge ruled that evidence was inadmissible because the proper procedures had not been followed during a police interview.

Mr Chris Dickson, a senior lawyer at the SFO, said yesterday that there was no suggestion that any of the police officers involved had acted improperly.

The case against the other four defendants collapsed on Tuesday after the prosecution decided to offer no further evidence. Defence solicitors said yesterday that for some months they had been asking the prosecution for documents which included interviews with two important witnesses that contradicted each other.

The defence did not see these statements until last week. The Judge said the material should have been supplied long before.

"The SFO is obliged to let the defence know who has been making statements and what statements have been made," said Mr John Blackburn Gittings, Mr Harrison's solicitor, yesterday.

On Tuesday, Judge Mendl said: "It is the duty of the Crown to disclose to the defence, at the proper and in good time, material which should be properly disclosed."

Mr Dickson said: "There will be an immediate inquiry so that new guidlines can be set up. We want to make quite sure that what happened cannot happen again. The SFO is conferring with the police to do just that."

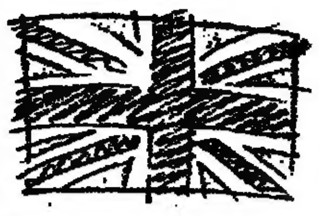
Hill Samuel made no comment yesterday. None of the acquitted men could be contacted yesterday.

● Mrs Barbara Mills, director of the SFO, speaking yesterday to the Police Superintendents' Association, warned that the removal of European barriers in 1992 would "inevitably give the fraudsman greater scope."

She said there must be in place satisfactory arrangements to detect and investigate fraud, and to collect evidence, all of which would necessarily cut across national boundaries.

Mrs Mills added it was being considered whether investigators from abroad could join teams from the Serious Fraud Office – which was set up two years ago to handle major investigations – with investigators from Britain travelling to other countries.

BRITAIN IN BRIEF



Telecom to cut staff 'by 80,000'

British Telecom has drawn up a secret plan to reduce its workforce by 80,000 over the next five years in a drive to cut costs and improve efficiency.

The jobs, which will reduce BT's workforce by about a third are among the largest ever planned by a British company. They come at a time when economists are predicting that UK unemployment figures will rise about the two million mark and are almost certain to add to the general economic gloom.

The reduction in staff numbers is part of a massive reorganisation, called Operation Sovereign, announced by BT earlier this year, that is intended to reduce bureaucracy and make the company more customer orientated.

ABF closes-in on sugar group

The chances of Associated British Foods (ABF), the milling and baking group, becoming the owner of British Sugar strengthened when its contemplated acquisition of the beet refiner was granted the blessing of the UK regulatory authorities.

Mr Peter Lilley, the trade and industry secretary, said he had decided not to refer to the Monopolies and Mergers Commission the proposed acquisition by ABF of "assets of Berisford International, including British Sugar."

Change in customs work

Customs and excise launched sweeping changes in the way £20bn each year – in duties on alcohol, tobacco, petrol and gambling – will be collected.

The aim is to eliminate all extra paperwork for manufacturers and traders.

Instead of issuing forms, customs will rely on commercial documents businesses would need to use in any case.

Officials admit that this will not be possible immediately, but streamlining will still drastically reduce the burden of red tape on businesses.

Valio buys into UK company

Valio, Finland's largest food business with annual sales worth £1bn, bought a majority shareholding in Powell & Scholefield, the privately-owned Liverpool manufacturer of specialised dietary and nutritional products. The price was not disclosed.

The takeover will improve Valio's access to European niche markets which Powell & Scholefield did not have the resources to exploit – its turnover is only £6m a year.

Crime figures reach record

A record increase in reported crime exposed the government to heavy criticism.

Home Office figures show that 1,113,000 offences were reported to English and Welsh police forces in the second quarter of this year – 17 per cent more than in the same period of 1989. Comparisons for the two most recent twelve month periods, which the Government believes give a more stable basis for comparison, still show a 13 per cent rise.

More than half the overall increase in the twelve months to June arose from thefts. Mr John Patten, Home Office minister, said the nation was "suffering from an epidemic of minor and often easily preventable crime against property."

Changes to Taurus system

Members of the International Stock Exchange will pay only for services they use rather than a comprehensive charge when electronic settlement of bargains begins under the Taurus system next year, Mr John Watson, head of the Taurus project, said.

"We have decided to unbundle the various services in Taurus so you will pay only for services you need," he told an audience of stockbrokers. "We do expect that overall, prices will be lower than at present."

Mr Watson gave no information about the likely size of Taurus charges, but an indicative pricing structure will be included in a package of Taurus documentation the stock exchange will send to members tomorrow

Taurus – designed to allow the electronic processing and settlement of stock bargains, improving efficiency by ending paper records – has been in the planning stage for several years, and there had been worries that it might never go into operation, but the exchange has settled on October 1991 as the opening date.

Airlines contest domestic flights

The battle over Britain's air shuttle services will reach a climax when British Midland, the second tier UK airline, will press its case before a Civil Aviation Authority (CAA) public hearing to restrict daily London to Scotland and Belfast flights by its much bigger rival, British Airways.

British Midland claims that BA is abusing its dominant position at London Heathrow Airport ny increasing flight frequencies to squeeze out competition on domestic shuttle services. It wants the CAA to cap the frequencies of BA flights on the Scottish and Belfast shuttles.

BA is vigorously opposing the British Midland move arguing that any attempt to regulate frequencies would be anti-competitive and not in the interest of consumers.

Single agency on pollution

An independent national agency to control all forms of pollution has been proposed by the National Rivers Authority and is being considered favourably by the government.

It would be formed by amalgamation of the NRA, which is responsible for water quality, and Her Majesty's Pollution Inspectorate, which monitors industry's emissions to air, land and water.

The NRA emphasises that it is not proposing a new body along the lines of the powerful Environmental Protection Agency in the US. But its proposal will be seen as a move in that direction.

Curb on touts at Wimbledon

A crackdown has been announced on the black market in tickets for Wimbledon - the world's top grass tennis tournament.

New conditions imposed by the All-England Club will mean any ticket sold by an unauthorised agent, such as a tout, will be invalid.

The club said individuals trying to sell tickets without authority may be committing a serious criminal offence - obtaining money by deception. John Curry, chairman of the club and of the championships committee of management, said: "The black market makes a mockery of our carefully considered pricing and distribution system because it redirects far too many tickets to those who can afford to pay grossly inflated prices."

More time for oil safety

The government said it would relax the year-end deadline for installation of offshore safety equipment for oil companies affected by industrial action.

Mr Colin Moynihan, the energy minister, however, also warned that the government would scrutinise carefully any requests for exemption from the deadline.

As part of the review prompted by the Piper Alpha disaster two years ago, offshore operators have been required install emergency shutdown valves by 1991.

Energy plan for used tyres

A large US utility has put its weight behind a UK-based project to generate electricity from scrap tyres, a move which reflects growing US interest in the UK privatised electricity industry.

Nipsco Industries, an Indiana gas and electricity utility, will take a sizeable stake in the £36m renewable energy project to be set up by the UK subsidiary of Elm Energy and Recycling of the US in 1992 in Wolverhampton, central England.

UK NEWS

UK companies urged to protect employees overseas

By Alan Pike, Social Affairs Correspondent

COMPANIES sending employees overseas should prepare "crisis management" plans to protect them in the event of disorder, a London conference was told yesterday.

Mr John Moses, a management consultant and specialist in overseas employment problems with Henson Associates, said that before sending employees abroad companies should evaluate risk based on levels of domestic stability, armed conflict, terrorism and similar factors.

Crisis management teams in the head office should then become responsible for liaising with British embassies, preparing contingency plans and taking responsibility for evacuating staff and families.

Living in some overseas environments, said Mr Moses, had a detrimental effect on the morale of staff and their families. Contingency plans were needed to ease this problem and protect the company's property and reputation.

Yesterday's conference, organised by Bupa, the private health care provident association, was given the results of a survey conducted for Bupa by Mori.

The research - carried out before the Gulf crisis - showed that Africa, followed by the Far East, were considered the toughest locations for overseas postings.

Personnel managers told the researchers that problems with local customs and culture, political instability and poor health facilities were among the leading concerns of staff sent to work overseas. These ranked much higher on the list than climate and language.

Mr Roger Stubbs of Mori told the conference the survey showed that 87 per cent of companies provided accommodation for employees posted abroad and most paid for trips home. The vast majority provided medical insurance cover.

One-third of personnel directors said that they had encountered reluctance to return or difficulties in re-integrating into British life among staff sent abroad. The research showed that younger people had particular difficulties in re-adjusting when returning home. More women than men experienced integration problems and a sense of isolation while working overseas, while also finding it harder to adjust on their return.

EC employment code backed by personnel sector

By John Gapper
Labour Editor

PROPOSALS by the European Commission to give part-time workers working more than eight hours a week a right to equal pay and employment conditions to those of full-timers were yesterday backed by the Institute of Personnel Management.

The IPM's conditional backing for draft directives on part-time work contrasts with strong opposition to the proposals from the government and employers organisations including the Confederation of British Industry.

The Institute, which represents personnel professionals in British industry, said it supported the Commission's four draft directives on working time and part-time and temporary contracts as far as they applied to part-timers.

But it said the Commission's proposals to make all staff working more than eight hours pay national insurance contributions could affect the earnings of existing staff.

The IPM said it had long advocated equal employment protection and benefits to part-time workers on a pro rata basis where that was appropriate.

However, it objected to a requirement for employers to provide comparable training for temporary staff should be related to the needs of the job being carried out.

The IPA found that a legal requirement for equal access for temporary workers to occupational pensions, health insurance and loan schemes would not be practical in all cases.

September marks the month of fall

Rachel Johnson says IMF meetings tend to spell trouble for sterling

AS MR John Major returns from Washington to his Treasury desk this morning, he will find the pound almost two points lower than the day he left the country.

Sterling closed almost a point lower yesterday at 93.1 on its trade-weighted index, from 94.9 on September 18, the day he left the UK to fly to Trinidad to meet commonwealth finance ministers. The currency continued to be volatile throughout his trip to Washington for the annual meeting of the International Monetary Fund, from which he returned today.

But some would count him fortunate that sterling did not go into a free-fall while he was away. Sterling crises are almost *de rigeur* at annual September IMF meetings; they dog the release of the trade figures; and the pound is liable to fall as soon as chancellors leave the country to attend meetings of fellow finance ministers in far-flung parts.

Mr Major has been contending with not one, but all three of these high-risk scenarios. In the past fortnight he has been to Trinidad to meet Commonwealth finance ministers, then to the IMF meeting. This Monday the August trade figures were released.

Although these were better than expected, Mr Major did not escape entirely unscathed. Last Friday, three central banks – the West German Bundesbank, the US Federal Reserve, and the Bank of England – had to engage in concerted action to support sterling.


Denis Healey (left) and John Major: different tactics

The pound's virility on the foreign exchanges – largely based on the market expectation that the UK would soon join the exchange rate mechanism – was unmanned by remarks by the Bundesbank. Countries with high inflation would make difficult partners in the ERM, it said, and Mrs Thatcher, the UK prime minister, appeared to agree.

It was the first time the three banks had intervened together since October last year. On that occasion, the resignation of Mr Nigel Lawson, the then chancellor, undermined the pound so much that the authorities had to spend billions in propping it up.

With losses of four pfennigs against the D-Mark and two cents against the dollar on Friday, it looked as though the chancellor was facing a classic "sterling crisis".

Alongside ERM worries, the evidence of a recession was mounting fast. The employers' association, the Confederation of British Industry, gave a formal recession warning, and industrialists pleaded for interest rate cuts.

As the gloss of the good trade figures has worn off, the pound was still exposed yesterday. But Mr Major is back, having escaped the ignominy that some of his predecessors' suffered in similar situations.

One occasion had all the best ingredients. In September 1976, amid seamen's strikes, poor trade figures and rows about the overspending of the Labour government, the then chancellor, Mr Denis Healey, decided it was a waste of reserves to support sterling, which then went into a decline.

As defined by the Bank of England, a sterling crisis is "when the markets suddenly cannot see the bottom. The pound goes through its last chart point and then there is an abyss."

As Mr Healey drove to Heathrow *en route* to the IMF/World Bank annual meeting in Manila, sterling fell 4.5 points on its effective index. The Treasury team turned back at the airport. Mr Healey kept to his policy, left sterling alone and went to the IMF for a credit.

The term of the next chancellor, Mr Geoffrey Howe, is not coloured by such escapades. But the sterling crisis of September 1986 prompted Mrs Thatcher to complain that, "something always goes wrong when Nigel goes abroad."

In Washington, at the IMF, Mr Lawson was made to sweat as he heard that the pound was falling fast. He was forced to turn, as Mr Healey had done, to the West Germans, lobbying their finance minister and Karl-Otto Pöhl for a large credit line.

Bundesbank credits, and central bank intervention, usually stop a currency from plummeting. On the last occasion, the dual tactic kept sterling up until after the 1986 Conservative conference and saved the party some political embarrassment. But base rates were raised to 11 per cent shortly after the conference.

That base rates can rise even after large sums have been spent by the Bank supporting the pound poses the authorities a serious dilemma. Is it worth it?

Intervening to support the pound has been likened to stopping traffic by standing in the middle of Britain's biggest motorway with a raised hand. And the Bank, which carries out orders from the Treasury, has written in a bulletin that intervention is virtually useless unless combined with policy changes.

Government plans new inspectorate to monitor safety checks

High security: passengers face further checks before they travel

Britain steps up security for international travellers to UK

By Paul Betts, Aerospace Correspondent

MR Cecil Parkinson, the transport secretary, yesterday launched a campaign to tighten security at British airports, ports and the Channel Tunnel rail link between Britain and France when it eventually opens.

A new chief inspector of transport security is to be appointed in the coming weeks to oversee aviation and maritime security.

Mr Parkinson said he or she would also advise on the security of Channel Tunnel operations.

The latest initiative involves a poster and sticker public awareness campaign at all large British airports reminding passengers of the security precautions they must take.

Under the new Aviation and Maritime Security Act, which came into effect yesterday, it is an offence carrying a fine of up to £2000 to give false information about baggage contents when checking in at airports.

Passengers must also declare electrical items carried in their baggage, must never leave hand luggage unattended and must not check in bags for other travellers.

Mr Parkinson said yesterday that, while governments were working together to reduce the threat of terrorism at airports, there was much the public could do to assist security staff and thwart terrorists.

"One obvious area is care over baggage, where a few simple precautions will minimise delays and could save lives," he said.

He confirmed the government's determination to introduce a complete search of aircraft hold baggage at British airports. but he conceded that there were difficult logistical problems because airports had not been built to accommodate such searches.

An additional problem was the difficulty of developing technology to screen hold baggage, Mr Parkinson said.

Airports are experimenting with new X-Ray equipment and thermal neutron activation (TNA) screening devices, which use low energy neutrons to detect explosives in bags.

Stepped-up security requirements introduced following the Lockerbie disaster in December 1988 have sharply increased airport and airline costs.

Mr Parkinson said security was now costing BAA, the airports company, just under £50m a year.

Higher airport and airline security costs are putting additional pressure on air fares. Mr Parkinson acknowledged that tighter security would result in higher fares.

The government campaign coincides with the start on Monday of a fatal accident inquiry into the Lockerbie disaster, in which 270 people died when a Pan American Boeing 747 was destroyed by a terrorist bomb.

Mr John Prescott, the opposition Labour Party's transport spokesman, dismissed the changes as "a load of rhetoric and not much substance."

He said that to stop terrorists from placing bombs "requires you to inspect every piece of luggage and to make sure the money is there through a levy system to pay for that.

"The government has set its face against these two central requirements and, therefore, this is all about rhetoric and not about substance."

Mr Prescott said only some 10 per cent of luggage was searched before being loaded onto British airliners, compared to much higher figures of up to 100 per cent on US aircraft.

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EUROPE

Profiting by the direct approach

Alice Rawsthorn on one area of marketing which is predicted to have a rosy future

Letter boxes bulge with junk mail. Phone lines are jammed by salesmen selling insurance policies and time share holidays. Televisions beam out commercials adjuring consumers to order clothes and catalogues through the post or on the phone.

Direct response marketing grew at a rapid rate in the UK during the 1980s and is almost certainly poised for further growth in the 1990s, despite the slowdown in other areas of marketing, notably in traditional media advertising.

Yet there is relatively little information available on the size and structure of the direct response market. An analysis of the market just published by Colorgraphic Group, a company which provides services for the direct response industry, helps to fill the gap.

Direct response is really an umbrella term for all the various means of persuading people to buy things directly on the phone or through the post.

Most of the techniques of direct response marketing were first developed in the US, but have since been exported to Europe. Colorgraphic estimates that the market in the UK alone is now worth around £1.8bn and should have grown by two thirds to £3.1bn by 1995.

The marketing services industry has come under intense pressure in recent months as companies have cut back on expenditure. So far the advertising and design industries have borne the brunt of the cutbacks. There are now signs that other sectors, notably sales promotion and public relations, may be suffering.

Direct response, by contrast, has emerged virtually unscathed. Colorgraphic suggests that this will continue mainly because companies tend to prefer more 'accountable' marketing disciplines – where they can assess the impact of their expenditure – when trading gets tough.

The only significant exception is expected to be direct advertising, whereby consumers buy things directly in response to advertisements in magazines or on television. Though the market may slow down this year, direct advertising, which is worth £810m and is the biggest single area of direct response marketing, is expected to grow by nearly two thirds by 1995.

Mailing is the second largest direct market area and was worth £445m last year. It, too, should grow by two thirds by the mid-1990s.

The fastest growing direct marketing sector will be telemarketing, selling things by telephone, and computer packages, where companies sell hardware and software for use in direct response.

Telemarketing increased five fold to £75m between 1985 and 1989. It is expected to treble in size by 1995. The market for computer packages is presently worth £7.5m and should double in five years.

Other areas, such as list management and data capture, should also experience robust growth in the 1990s. These sectors ought to benefit from the general trend towards more accountable marketing techniques.

The approach of the unified European market after 1992 should stimulate additional growth for some sectors, notably direct mail and telemarketing. But the impact of 1992 will be limited by the labyrinth of legislation across Europe which means that certain direct response techniques are feasible in some countries but not in others.

Telemarketing, for instance, is widely practised in some countries but is virtually illegal in West Germany. And differences in postal systems and standards for different countries could pose significant problems for pan-European direct mail programmes.

Even etiquette is a problem. The bright, brash American direct mail methods used in the UK would be considered anything but courteous in France. While the flowery phrases of a formal letter in France would definitely be *de trop* on the other side of the channel.

"Direct Response - The Market Map", commissioned by Colorgraphic, is available for £125 from Research Associates at The Radfords, Stone, Staffordshire, ST15 8DJ.

Petrol price rises

No goodwill from slick ads

Richard Gourlay on a besieged industry's inability to placate a fractious public

Waving a copy of *British Petroleum's* latest garage forecourt leaflet above his fuel tank, Rizwan Rabbani said: "It's all very well the oil companies producing leaflets like this explaining why petrol prices have to rise. But what about all that oil they own in the ground which is now worth so much more?"

If this view accurately reflects the British public's scepticism about the need for petrol price rises, it says very little for how years of corporate advertising have served the oil companies since the Gulf crisis began.

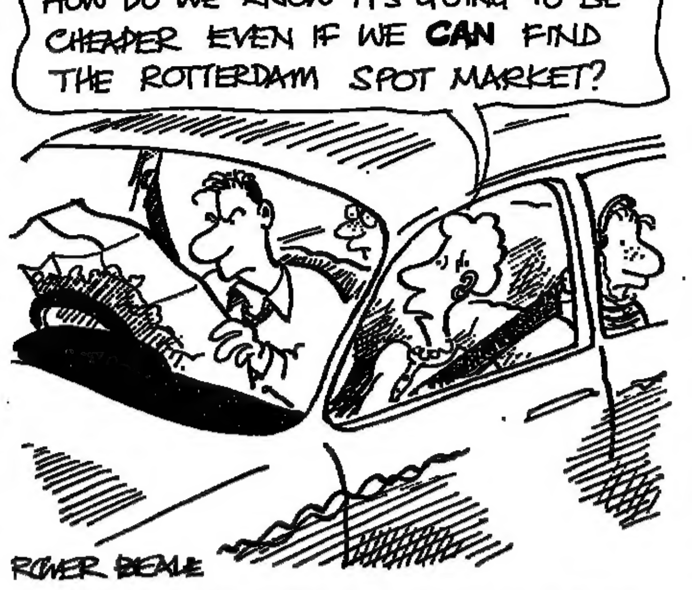
When Saatchi and Saatchi bid successfully for what became BP's "Britain at its best" campaign in the early 1980s, part of its pitch was that corporate advertising would "give BP the benefit of the doubt when doing something unattractive," recalls Neil Munro, head of public relations at BP Oil.

Judging by responses from the pumps, BP might as well have saved its money. How is it that the oil companies, by their own admission, have failed to deliver the message that they do not collude on pricing and that price rises are necessary, even though they are armed with February's Monopolies and Mergers Commission report which completely exonerated them of all misdeeds?

Within the next few weeks, the Office of Fair Trading is expected to conclude its latest investigation of petrol pricing policy during the Gulf crisis. Even if it exonerates the petrol retailers once again, as the industry clearly expects, the majors are not planning to change the way they present their case to the public.

Part of the problem appears to be the complexity of the issues. Stock profits and losses require a grasp of current cost accounting; the Rotterdam spot market, from which the majors take signals for price rises, needs a not-so-brief explanation of world oil trading; information about the speed at which prices have to follow Rotterdam prices up is not easily available from anyone other than the oil companies; and the idea that oil companies are required by law to maintain a so-called "ring-fence" between their production and refining arms to prevent transfer pricing or cross-subsidisation of retailers, hardly lends itself to catchy one-liners in 30-second radio spots.

So far no oil company has bought national advertising explaining its position. Shell and BP both say it would be counter-productive and would merely attract charges that themoney could be better spent keeping prices down.



Both companies have printed leaflets, which are available on some forecourts in a question and answer format. BP's, for example, deals succinctly with stock profits and the speed of the price rises. But it dismisses accusations that it is "coining it" at its production stage by merely asserting that cross-subsidisation would lead to "wrong investment decisions and product shortages and queues at the pumps." However true that argument might be, a swift forecourt survey suggests deep suspicion remained.

All the majors have increased their lobbying of MPs and civil servants, and have tried to convince the popular press of their case, although success in convincing reporters often falls foul of news editors looking for "oil-company bashing" stories.

The majors will also selectively accept invitations for radio and TV interviews Shell, BP and Esso think they receive a fair crack of the whip on the BBC's PM and Today programmes while they all refused to provide a spokesman for LBC radio's Geoffrey Goodman hour-long phone-in last week. As one executive said, it was feared the oil man would be the fall guy in a light entertainment show.

Another element is the lack of an industry body to act as spokesman for the oil companies as a whole, in the way the Brewers Association will act. The UK Petroleum Industry Association can not consider anything to do with pricing policy for fear of breaching US anti-trust regulations.

In the absence of an industry body Shell, for example, is reluctant to be seen as the only company bearing the industry's common message. "If we are publicly on record every time there is a price increase, it will turn into headlines of 'Shell puts up prices'," says Jim Slavin, Shell UK's director of retailing. "We don't want to take 100 per cent of the flak for the bad news."

While this might be understandable when *the news is* bad, like in the current climate of rapidly rising prices, the MMC blessing provided an opportunity to present its record to the public. The MMC actually said that the oil companies had partly brought the inquiry on themselves by not explaining more clearly their pricing policies.

However, in advertising terms, the MMC report was also bad news. "People are not going to say thank you for telling them they are going to have to pay more for their petrol or that current high prices are justified," says an advertising executive who helped launch one oil company's corporate advertising campaign.

The oil companies, in not as many words, agreed and kept their own counsel. Frank Dobson, the Labour MP who would like to see a new statutory body, like Oftel, to cover petrol retailing, says the oil companies simply wanted to put the inquiry behind them. "It was a public relations disaster for them," he says. "No one believed the oil companies were entirely in the clear except the MMC."

However, it would be a mistake to conclude, as some have, that, faced with the difficulties of explaining their case, the oil companies are simply turning a cheek and letting the blows rain down on them.

BP says one of its prime concerns has been to explain to shareholders and its staff why the price rises have been necessary. Shell says it became particularly concerned for staff morale after stories started appearing in the popular press saying that while "our boys" were going to fight in the Gulf, the oil companies were lining their pockets at home.

Some executives have already reported being harangued at normally civilised dinner parties, an occurrence common enough for one cartoonist to quip that oil company executives at social events should pretend they are poll-tax collectors.

The reason there is no need to turn the cheek is that even on their most vulnerable point – the fact that they are integrated from the oil field to the petrol pump and are making windfall profits upstream - the oil companies have a good case to make. Oil exploration would not take place without large investments of capital over long periods, the motive for which is pure profit. The trouble is it sounds far too hard-nosed when Joe Public is feeling the pinch at the pumps.

It may be free, but is it read?

John Thornhill on advertisers' attitudes towards complimentary magazines

Which women's consumer magazine in the UK has the biggest readership? Good Housekeeping? Woman's Own? Family Circle? Well, according to the Oxford Research Agency, it is Hi-Time, a free publication produced by Asda, the grocery chain.

The agency's research discloses that each of the 1.6m copies of Hi-Time (a circulation figure assessed by an independent audit commissioned by Asda) has an average of 3.47 readers, giving a total readership that dwarfs other magazines. The claim is hard to verify since Hi-Time's circulation is not authenticated by other sources because of its free distribution.

It is also a claim treated with scepticism in the advertising industry. "We do not accept any figures like that at face value. We only accept audited figures. They may print 1.6m copies but that number may not get distributed," says Dominic Proctor, executive media director at J. Walter Thompson.

"The issue for us is whether they are read. We have more interest in the quality of readership. We would not expect a free magazine to be read with the same intensity as a paid-for publication," he adds.

Nevertheless such magazines are often viewed as an attractive advertising medium and the number and quality of such publications has increased over the last few years. Other retailers, such as Marks and Spencer, the Co-op, and William Low, also run their own magazines although not on the same scale as Hi-Time.

Other free magazines which are highly regarded by advertisers are American Express's Expressions and British Airways' High Life.

Asda's bi-monthly publication, usually around 64 pages in length, contains the staple fare of recipe suggestions, horoscopes and fashion features. The magazine also contains a lot of product promotions both for food manufacturers, Asda's own food items, and its George range of clothes - developed by George Davies of Next fame. There is also a fair spread of coupon advertising.

But Hi-Time is not a low-quality company hand-out. It is a well-produced magazine resembling other consumer publications.

Vicki Davies, advertisement director at Madison Bell, the media selling company which works on the Hi-Time account, believes "the quality of Hi-Time means that it will last."

"If the quality is not there to start with then it will be chucked. Complimentary titles have to be far higher in quality," she says, adding that they also have to get over the hurdle of initial reader resistance to free publications.

Hi-Time aims to be self-funding but it is subsidised by Asda, which means the advertising rates are competitive with other publications. A full-page advertisement works out at just under £12,000 which is the middle of the range for women's magazines. But the medium is a cheap means of reaching a wide audience, according to the Oxford Research Agency, and the cost per reader is the lowest of all the comparable magazines.

Some retailers, particularly in the US, have had a bad reputation for pressuring suppliers into running advertisements in their magazines in return for accepting a product in a store or giving it greater shelf display.

But Davies says although she stresses the mutual benefits of advertising in this medium there is no coercion. "It is not necessary to be aggressive. None of my team has black eyes," she says. "Hi-Time is part of Asda's own marketing effort but they are going forward together for both parties' benefit," she says.

Proctor of JWT says: "In the last couple of years the quality of these magazines has gone up. Now the quality is good they are more acceptable as advertising vehicles."

But Proctor makes a big distinction between those magazines which people would be likely to buy if they had a cover price and those that "get thrust into your hands outside Tube stations."

Anyone spending good money on advertising should have their brains examined

It's now a generally accepted fact that each side of the brain is responsible for particular attributes. The left hand side is all about rational thinking and analysis, the right side is the seat of creativity and emotions.

Without pushing it too far, this left versus right situation could be a neat analogy to explain the problems that always have — and apparently always will — dog the unique and complex relationship between clients and agencies.

Clients, by the very nature of their jobs, could be classified as left brain people but, as purchasers and therefore judges of advertising, are asked to take right brain decisions. Agencies, as suppliers of creativity have right brain tendencies and yet, as the client's advisers, they must show abilities dominated by the left.

But do advertisers have the left hand side of their brain on full alert when it comes to spending money on advertising?

Of course, few clients spend money irresponsibly. But it is true that many do not challenge the unspoken rules of the advertising game; rules that were designed for the friendlier climate of the '60s, '70s and '80s. It is highly questionable if those rules are still relevant to the game as it needs to be played in the '90s and beyond.

Agencies bear their share of the blame. However modern and progressive they may appear to be, this surprisingly conservative profession has changed far less than markets and clients. The way advertising is produced and the agency attitude to client relationships differs little from a couple of decades ago. If there has been any significant movement, it has been in the way agencies have become involved in the money game, setting up conglomerates and selling shares on the open market . . . a move that has had noticeable effects on the way they manage their business, develop organisations and service packages, and focus on their client's problems.

Before you can win the game, you have to change the rules

With the increasingly chilly business climate of the nineties, no advertiser should take the status quo for granted.

The difficulty in finding real selling propositions has led many to accept that advertising answers lie in image and lifestyle and this has fostered the shift to 'creativity' and all its accompanying mystique.

Indeed, there sometimes appears to be an embarrassed reluctance to use that invaluable left-brain rationality when judging advertising recommendations and their possible effectiveness.

Another fact that many advertisers have failed to recognise is that, because of the way the business climate has changed, a different approach to the client/agency relationship is called for. Our rough estimation is that around 50% of the clients of any agency who want the best that agency has to offer and which its reputation and work for other clients led them to expect, actually never get even close to achieving it.

Only by changing the rules of the game — and possibly the players — can that expectation be properly realised.

Inside the agency, you're in competition with its other clients

The best talent in any agency is a valuable and scarce commodity and works best not for those clients with big budgets, but for those who mobilise it most effectively. Most clients are aware of this, but are not sure of how to solve the problem of getting their money's worth. Simply using their power as clients to threaten or cajole is not the answer and often has quite the opposite effect.

What is called for is a different approach, based on a careful analysis of both the client and the agency. Current practices should not be taken for granted but questioned and re-structured so that all the resources necessary to make advertising budgets more effective are actively managed.

Briefing systems need to be fine-tuned, clear procedures put into place for the planning, judgement and assessment of both creative work and account management. Both sides need to be made more accountable. Only by laying down the right ground rules can a climate be created for the production of sales building and cost effective advertising.

In some cases, this will call for a different agency, more in tune with the needs, culture and in-company expertise of the client.

But, here again, when looking for a new agency, it often appears that the left side of the brain is playing less than its due part. The company money that will move through the agency's hands in the course of a relationship can be counted in millions and is often more than the cost of a fleet of new trucks or building a distribution depot. Yet agencies are still regularly selected on the basis of their image or reputation, client list, recommendation, or following agency new business initiatives which impress clients before they have sat back and established what they are really looking for and what is available.

Clearly, agency remuneration is a vital part of the total package. It should not be looked at in isolation, but be integrated into the working relationship by making it flexible, linking it to results, making sure that it is enough, but not too much, carefully pitching it to give the client value for money, but also ensuring that it incentivises the agency by being the right reward for their talent and dedication to the account.

The answer is Scan

For agency selection, agency remuneration and agency/client relationship review

In the tough new world of the nineties, advertising budgets should be made to work harder than ever before. Providing the right climate for success is vital . . . but not easy.

If you believe in getting the very best from your budgets and your agency, we can help.

We have 12 years' experience, and our executives come from well-known and highly respected companies and agencies. We provide not a replacement for the client's knowledge and judgement, but act as both a subjective and objective adviser. We base our advice on an in-depth understanding of clients as well as agencies and their respective problems. We constantly talk to agencies, examining and assessing their talent and abilities, not only in creative but throughout their organisation. We constantly follow and analyse developments in the communications industry, not just advertising but also PR, promotions and direct mail. And working with advertisers in many different industries has provided us with unique and invaluable insights.

These include such names as KLM, UNILEVER, ELIDA GIBBS, HEINEKEN, VOLVO, AMRO BANK, CENTER PARCS, and many more.

No other organisation can offer more experienced, impartial and proven advice on agency selection, agency/client relationship reviews or agency remuneration.

Preparing for 1991

We are convinced that the working methods of the communications industry will have to change fundamentally. But the initiative must come from advertisers as change will only follow demand. We believe that clients should be more ambitious in those demands, asking for more and better from their agencies rather than surrendering to the status quo and reducing their expectations. This can only lead to a weakening of that crucial weapon . . . communications.

But let us move from the broad overview and focus in on you. In 1991, either here or in Europe, your objective must be to make more effective use of funds in a tight economy. We can help in the area of advertising budgets by ensuring that you work with the right partners and by designing, negotiating and implementing a tailor-made, motivating and cost effective remuneration package. We can advise you on how you can produce the climate and relationship in which you get the best from your agency for the money you pay. And that must appeal to that essential left-hand side of your brain.

So, before you cut your budgets, call us to see how we can make them work harder.

Call Samantha Smith or Kevin Chadwick on 071-873 8576.

SCAN

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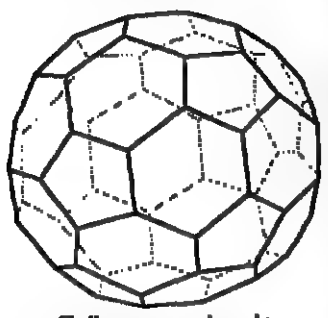
TECHNOLOGY

Carbon finds a new use

SOLID carbon has a split personality. It can exist as diamond, the hardest form of matter, or graphite, one of the softest. Today scientists from the US and Germany report the successful synthesis of a third and entirely new form of carbon, consisting of football-shaped molecules.

The discovery could spawn many new uses for carbon, including highly efficient lubricants, novel catalysts to speed up chemical reactions and "molecular-scale packaging" for smaller molecules.

Physicists from the University of Arizona and the Max Planck Institute for Nuclear Physics describe in the journal Nature how to make gram quantities of the new carbon, which they call fullerite. They evaporate graphite electrodes



Fullerene molecule

in a helium atmosphere; the resulting soot contains small quantities of fullerite which is concentrated and purified by dissolving in benzene.

Fullerite crystals consist of spherical "fullerene" molecules packed closely together. Each sphere contains 60 carbon atoms arranged around the surface in "icosahedral symmetry", giving a pattern like the panels on a football. The names come from the late Buckminster Fuller who designed geodesic domes with icosahedral shapes.

There has been much theoretical discussion and speculation about fullerene. Astrophysicists believe that large quantities may exist in interstellar space. Now scientists will have enough fullerene to measure physical properties and evaluate many possible applications.

Clive Cookson

Della Bradshaw examines the battle to transmit phone calls over the cable television network

A struggle to be at your service

Building a cable television network in Britain has frequently been equated with throwing money into a hole in the ground. But a renewed confidence in cable television, fuelled by a spurt of overseas investment, means that the UK's 137 cable television companies are now bullish about the prospect of making money – if their investors are not frightened away by the prospect of British Telecom invading their monopoly market position, that is.

As the government's November review of the UK phone duopoly draws near, the lobbying has begun by BT and the fledgling cable TV companies over the types of services each will provide in the next century. At stake for consumers is the degree of choice they will be given in who provides their local phone service.

At the heart of the debate, say the cable television companies, is whether BT should be allowed to use its national phone network as a medium for sending television pictures directly to homes – in competition with them. They believe it should not.

On the other hand they argue that they should be allowed to offer phone services over their television networks – at the moment they can do so only in conjunction with British Telecom or Mercury Communications, the UK's two licensed phone companies.

British Telecom says that is not the major issue: the real question is pricing. Because the cable television companies are likely to escape price restrictions on their phone services, the entertainment companies could undercut BT, which has strictly controlled tariffs.

BT fears that as the cable franchises cover major conurbations, the cable companies could be handed Britain's biggest business customers on a plate. As a senior BT spokesman puts it, it is not just a case of them being handed the cherry orchard but being able to pick "the ripest cherries" within it.

BT's concerns have been fuelled by the degree to which US phone companies such as US West, Pacific Telesis and Nynex have gained control of Britain's nascent cable television industry. The lion's share of potential investment in the industry will come from American or Canadian companies, many of them the traditional "Baby Bells".

BT's worries appear justified. Greg McLean, managing director of Nynex UK Telephone and Cable Television, says it is unlikely that Nynex would have got involved in cable without the phone services. "We view our business as the telephone business," says McLean, who lists American Express, Chase Manhattan and IBM as some of the big companies in one Nynex franchise area.

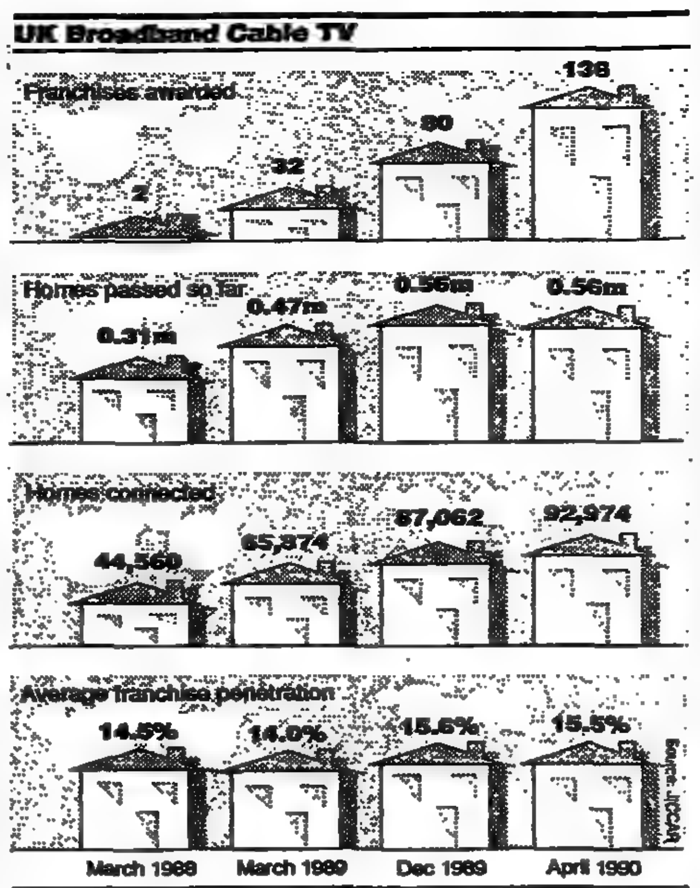
BT argues that it is being cast in the role of "bogeyman", while it will have to face competition from cash-rich phone companies of equal muscle. It is using the argument to resurrect the case that it should be allowed to offer bulk discounts for large telecommunications users. At the moment BT has to charge the same rental for every line whether a site has one line or 100.

BT admits that it would like the right to offer local television services over its network. The cable television lobby counters by saying that if BT wanted to run cable television services it should have applied for the licences as they did. BT had a stake in six cable television companies, but put them on the market earlier this year.

BT's response is that it is not an entertainment company – that is why it decided to pull out of existing franchises. But it would like the ability to carry entertainment channels over a local broadband network to make it economical to wire up large customers for communications services.

Even if BT is allowed to transmit entertainment over its network immediately, the technical issues, they say, will prevent it from doing so. That is because the lion's share of BT's local network is twisted pair cable, which does not provide the capacity to carry the pictures and sound needed for broadband television transmission. Even BT admits to this.

The economics of replacing the twisted pair cable do not add up, says Bruce Laidlaw, a telecommunications consultant for both the CTA and Mercury. He calculates that the average



revenues from cable television are 25p an hour, compared with the much higher revenues for phone calls. So BT would be faced with the problem of rewiring the local phone network with a more expensive infrastructure in order to bring in relatively little revenue.

The economics of transmitting phone calls over the television network are not lost on the cable companies. The Cable Television Association, which represents the cable operators, estimates that once established, a cable company could get 50 per cent of its revenues from communications services.

Their resulting interest in providing local phone services without recourse to BT or Mercury is likely to disturb Mercury. It is looking to a close relationship with cable television companies as a way of getting its own local phone service without having to dig up the streets.

Until recently Mercury was criticised by the cable companies because it only allowed them to keep a small proportion of phone call revenues. But Mercury has now increased the proportion of the revenues that it gives them from around 15 per cent to around 30 per cent.

This, says Peter van Cuylenburg, chief executive of Mercury, reflects a change in focus from the company. "The priority of Mercury in the first few years was building a long-distance network. Now we have the problem of getting people on to that network. Cable television is the most effective way of doing that."

Although Mercury is happy for the cable television operators to be granted the right to set up their own phone services, van Cuylenburg believes Mercury has pre-empted their need to do this by offering these increased rates. The CTA, on the other hand, is suspicious that this may be just a cheap trick in duopoly review year in order to lull them into a false sense of security.

At the moment cable television companies selling Mercury phone services have to install a telephone cable down the same duct as the co-axial cable. But technological developments could give cable companies more flexibility.

Cabletime, which supplies cable television services based on a "star" topography, with the individual co-axial loops radiating out from a central hub to the individual homes, is developing a system where both phone calls and television programmes could be sent over the same co-axial cable. Because the signals are sent at different frequencies, a television company could decide to install the system for television only, and then upgrade it later to offer phone calls as well by changing the electronics at the central hub and in the home, so reducing costs.

Although not for widespread implementation until further into the future, BT has developed a way of sending both television and phone calls down an optical fibre by using different coloured light to differentiate between the signals.

Just how soon such technologies are available could be instrumental in determining the government ruling on cable and phone services in the duopoly review.

There is a growing consensus across the industry that the cable companies will be allowed to carry voice across their networks. And Oftel has specified that BT will be allowed to carry entertainment – the only question is when.

Both the cable companies and Mercury believe that they should be given a breathing space – between 5-15 years – before BT is unleashed. BT, on the other hand, believes that the technology to allow it to install broadband cable economically in the local network could be available before then.

The Shakespeare pub goes 'green'

By Philip Rawstorne

Nothing about The Shakespeare in central Birmingham suggests that it is unique among Britain's 75,000 pubs. To the customers sipping pints of cool draught Bass in the bar, all appears comfortably traditional. But this Victorian city tavern is the country's first ozone-friendly pub.

Bass, the UK's leading brewer, has installed in The Shakespeare's capacious cellar a new cooling system in which the chlorofluorocarbon (CFC) refrigerant, known commercially as R12, has been replaced by R134a, an environmentally harmless hydrofluorocarbon.

If trials prove successful – and the first four months' performance has been encouraging – Bass plans to introduce the new refrigerant throughout its pub estate. Bill Little, design and development engineer, Bass Brewers, who designed the prototype, says: "We decided to go ahead with the new system, quite simply because there was a need."

Bass, with a company philosophy which commits it to conduct its business "with due care for the environment," has more than 6,700 pubs, every one of which has a cellar cooling system containing around 10kg of R12 refrigerant.

Bass implemented safety procedures to minimise leakage of the ozone-depleting CFC and to ensure its proper disposal, but in 1987 began to consider possible substitutes.

"Some companies were turning to hydrochlorofluorocarbon, known as R22, which causes only 5 per cent of the damage to the ozone layer inflicted by R12," Little says. "But equipment suitable to use R22 was not available for the small capacity refrigeration which cools beer and other drinks for retail."

Such a change, too, seemed to offer only a short-term answer. In the US, there are proposals for phasing out the use of R22 completely over the next 25-40 years. "Everybody was talking about the advantages of R134a," says Little, "but nobody seemed to be willing to do anything with it."

It was not simply a question of removing R12 from cooling equipment and pouring in R134a. Hydrofluorocarbons are not compatible with the lubricants, expansion valves and other equipment used in CFC systems. "Chemical companies had the refrigerant, engineers thought they might have the compressors and condensers, others thought they might have the lubricant. But no one was putting them together in a new system."

Bass decided that it would be commercially as well as environmentally prudent to take the initiative. Little began to scour the UK, US, and Europe for the required products.

From Du Pont International of Switzerland came the R134a refrigerant. Copeland, of the US, supplied the polyglycol lubricant, and its UK subsidiary designed the compressor. Another US company, Sporlan, provided a specially adapted expansion valve and a drier; and Searle, of the UK, delivered the evaporator. Little began running the new system in May and alternates it for two-week periods alongside the existing installation.

Both systems are linked to monitoring equipment which records cellar temperature, energy use, and other performance measurements. "So far, the new system has worked successfully," Little reports. "It matches the R12 cooler in performance and uses slightly less energy."

In further experiments, he has now extended the use of R134a to bottle and small pack coolers. Bass will decide on the basis of the tests whether to switch all its retail cooling equipment to R134a during the next decade.

The refrigerant is expected to become available in commercial quantities within the next 12 months. Du Pont and ICI are building production plants. "It may initially cost between £5 and £10 a kilo more than R12," says Little. "But as demand for it grows, the cost seems likely to fall."

"We took the initiative because we needed information on which to base our own decisions," says Little. "Others are now starting to take an interest, but if that helps to encourage manufacturers to commit themselves to the system, we shall not complain."

CINEMA

Of madness and murder

AN ANGEL AT MY TABLE
Jane Campion

PRESUMED INNOCENT
Alan J. Pakula

MO' BETTER BLUES
Spike Lee

NIGHTBREED
Clive Barker

Short of a chimpanzees' tea party, the most unreliable opinion-making body in the world is a film festival jury. In May 1989 the Cannes judges gave no prize at all to Jane Campion's brilliant first feature *Sweetie*. Sixteen months later the Venice jury gave the New Zealand-born director's lesser second feature *An Angel At My Table* – hardly a feature, more three episodes of a TV series sewn together – the prestigious Special Jury Prize.

It fair makes you shrug in bewilderment. Where *Sweetie* was a true original fizzing with vitality, *An Angel My Table* is 2¾ hours of autobiographical literature re-processed for the screen. Based on the three-volume memoirs of New Zealand poet and novelist Janet Frame, the film has the sturdy banality one would expect from a TV-intended mini-series (which this is) about life, art, growing up and mental illness.

What virtues it boasts are honest and sublunary. Part one, the finest section, is a touching picture of childhood in which the young Janet (Alexia Keogh) strives to push her individuality out into the world through the prison bars of school and home. With her pudgy frame and mop of curly red hair – the mop is handed on later to the two other actresses who play her – she looks like "Annie" blown up with a bicycle pump.

The child's-eye view allows Campion early on to do what she does best: to show the world as a comically menacing place in which our "betters" – doctors, teachers, parents – loom over us as beings who have to be obeyed but cannot be trusted. A schoolmistress sports purple lipstick and a vindictive sarcasm. An unknown man entering the family home snaps "Send that child away" to Janet's Mum before brusquely breaking the news of Janet's elder sister's death by drowning at the local swimming pool. (Her other sister drowns a few years later in a ghastly echo designed by fate.)

But as this long, too-linear tale enters adolescence and then adulthood, surprise and particularity are pushed aside by the brute necessity to get from point A to point Z. Janet's eight-year sojourn in a mental home after being diagnosed as schizophrenic should have been harrowing. (The author claims she had over 200 doses of electric shock therapy, "each one equivalent in fear to an execution".) Instead it is a generalised fresco, rushed through with the usual vignettes of nasty doctors and dotty patients in smocks. No time dawdle, for we must get to part three, where Janet grows up, has her first novel published and goes to Europe on a writing bursary.

The European material is dismayingly routine. Dingy lodgings in London; a perfunctory romance, her first, in Ibiza; the eternal artist's struggle with typewriter and voice-over. Only when the grown-up Janet (Kerry Fox) returns home does the film rediscover its modest roots and put out a few valedictory shoots. Campion's distinctive voice is restored; but we are still waiting for the exultant shouts that voice gave in *Sweetie* rather than the nice, controlled noises it gives here.

Nigel Andrews

A crime novelist who wants to give his readers clues must do it in the most subtle way. On film it should be easier. The camera can scan expressions, interaction, and little details like the arrangement of furniture, or a row of glasses. So it is disappointing for those who have read Scott Turow's *Presumed Innocent*, to discover that many of the little hints towards the truth are missing from Alan J Pakula's film of love, corruption and murder in an American justice department.

Harrison Ford plays prosecutor Rusty Fabich as a man, contentedly locked into a marriage based on friendship, who has been destroyed by his one short-lived and exciting affair with an ambitious colleague (Greta Scacchi). His investigation of her rape and murder is suspended when he becomes the major suspect. He denies everything, but he is so devastated that he barely seems to know the truth himself.

Between the comfortable domesticity of his home, where he is a typical husband and father, and the formality of the court room scenes with their overwhelming impressions of mahogany furniture, dark clothes and darker moods, Ford gives an intelligent, controlled performance as a man not quite at the end of his tether. There are so many rich characters and possible murderers in the story, and so many good actors playing them (Raul Julia, Brian Dennehy, Paul Winfield) that it takes all the director's time to give a glimpse of everyone, and what makes them tick.

The film is about a crime of passion, but there is very little passion in it, as if the sheer weight of dealing with all the information has drained it of vitality. Even if you have read the book, *Presumed Innocent* is an intriguing film, but it has a sterile, almost technical feel to it. Some spirit of chaos of events and emotions running out of hand, is sadly missing.

Mo' Better Blues is a powerful demonstration of the versatility of writer/director Spike Lee, who considers an environment he knows well from his own family background and offers a remarkably sober account – no booze, no drugs – of the world of jazz musicians.

His central character is the aptly named Bleek (Denzil Washington), a gifted trumpeter who lives for music, and boyishly two-times his girl friends (Joie Lee and Cynda Williams) who both deserve better. There is some debate about the ethics of compromising black music to please white ears, and the music (composed by Lee's father Bill and played by Branford Marsalis, Terence Blanchard and Kenny Kirkland) is indeed of the easy, bluesy kind, not the sort of musical intellectualising that gives me indigestion. But the film is much more about a young man growing up, learning who his friends are, maybe repeating his parents' mistakes, and the general circularity of life.

Victim: Greta Scacchi in 'Presumed Innocent'

Evenly paced, and photographed with authority by Ernest Dickerson, *Mo' Better Blues* comes on like a mature, thoughtful film , completely different from the agitated semi documentary feel of last year's *Do The Right Thing*. It is immensely pleasing to watch, with the sort of impressive performances you would expect under Lee's direction, but Bleek and Lee both seem to have set their professional sights too low – slick but lacking in depth. *Do the Right Thing's* deceptively slapdash account of racial tension was a much more profound and dynamic film. *Mo' Better Blues*, beside it, is a accomplished but far less challenging.

No one in his right mind would go to the old, deserted graveyard, day or night except Boone (Craig Sheffer), the hero of *Nightbreed*. He does have his reasons – his psychiatrist (David Cronenberg) has convinced him he is a serial killer, th police believe it, and they're all after him. Boone thinks that Midian, the land of his childhood dreams, hidden in the bowels of the graveyard, will give him refuge. The strange community of living dead and shape shifters certainly seems no worse than the unbalanced, fascistic humans he is escaping, which seems to be the single point of the film.

Clive Barker's latest bit of body horror is a simple tale of peaceful monsters who are simultaneously feared and threatened by the outside world. This is not my favourite genre, but body horror is currently regarded as Grimm's fairy tales for grown-ups. The ugliness we dislike is our terror of ageing and dying; the physical destruction, often from within, represents our fear of our own bodies, and how they might go wrong. A man trying to slice off his own face, or a pair of reptiles springing from someone's stomach can be cathartic confrontations of our own fears, that shake us up and smooth us down again, like a session on the analyst's couch.

It is a tough world when you cannot even flinch from violence any more without feeling emotionally inadequate, but luckily *Nightbreed* deals as much with illusion as hard core gore; and the population of Midian take ona grotesque when considered calmly. The film's main failing is that once you have figured out the not totally original message, there is not much left to wait for beyond the usual showdown.

Ann Totterdell

Into the Woods

PHOENIX THEATRE

There has been a sign outside the Phoenix Theatre for almost the whole of this year saying that Stephen Sondheim's *Into the Woods* was on its way. On Tuesday it arrived. It is very good – in parts. The trouble is that there is not nearly enough music in it. Those who know it only from the recordings are liable to be disappointed, for there is an awful lot of business in between the songs.

Into the Woods is a collection of fairy tales rolled into one and, for the most part, played as pantomime. Cinderella, Little Red Riding Hood, Rapunzel and Jack and the Beanstalk are all there. The last one gives rise to the line: "If the end is right, it justifies the beans."

Some of the business at the start is clever. If someone talks of birds singing, birds appear, suspended from the arches. If they talk of mice, little creatures come out of holes. There is a splendidly urbane wolf played by Clive Carter. After he has eaten his fill, first Red Riding Hood, then the grandmother seem to emerge from his stomach. The cow being taken to market winks, cries and stops just short of defecating. The witch (Julia McKenzie) has wonderfully long green fingernails. But you can't go on like for ever because there is a limit to how far stage business can amuse and surprise. Richard Jones, the director, evidently thinks otherwise. It hardly stops.

There is another problem with pantomimes, especially if you trying to play half a dozen at once. The characters speak in silly voices, dress in silly clothes and have silly haircuts. It wears thin. The dialogue also has its limitations. For example: "I thought giants never struck the same house twice." "You heard wrong." That is scarcely sparkling.

All that is very odd when you think of Sondheim's music and lyrics. The words here are as clever as ever. The music is slow in its build-up, but that is deliberate. It is also used more sparingly, or so it seems, in the first act than in the second, but that again is part of the art. It becomes cleverer and more complex as the show goes on. "Moments in the Woods", sung by Imelda Staunton as the Baker's Wife, half way through Act 2 is one of Sondheim's best songs and there is a lot to be said for "No One is Alone" almost at the end.

Yet listening to the music, however well performed, and comparing it to the recordings is to have a myth dispelled. I had thought of *Into the Woods* as a beautifully constructed piece about innocence and experience. Going into the woods means growing up and going into the world. It has its rewards as well as perils. Certainly that is what the music suggests. It is also what the love scene between the Prince and the Baker's Wife is about. The magic fails to work, however, if a bunch of clowns keeps getting in the way. There is no pathos in them and not much fun. The love scene is more like a roll in the hay.

Perhaps there is still time to cut some of the business out and concentrate on essentials. The audience on Tuesday night seemed less than ecstatic and at times faintly bored.

Malcolm Rutherford

Alastair Muir

Julia McKenzie, Imelda Staunton and Ian Bartholomew

City of London Sinfonia

ROYAL FESTIVAL HALL

From Aix-en-Provence and Edinburgh there have been delighted reports of the soprano Catherine Dubosc on this page, and on Tuesday she delighted a London audience in Poulenc's 1959 *Gloria*. The voice sounds fresh and free, though immaculately cultivated, and her lower register is stronger than I remembered – her declamation in the *Gloria* was incisively modelled. But that particular work tapped only one part of this lovely singer's considerable musical range: now she owes us a recital or two, or several.

Miss Dubosc was an ornament to the Sinfonia's well-planned programme, which included also Poulenc's first sacred composition, the *Litanies à la Vierge Noire* (the sponsors of the evening were the former family firm, Rhône-Poulenc), Fauré's *Requiem* and Debussy's well-loved Faun. She would have gleamed still more brightly in a performance that allowed Poulenc his irrepressible vitality. Upon every piece here the conductor Richard Hickox imposed a respectful solemnity; and for all the executive virtues of his players and his excellent Westminster Singers, the net effect of the concert was slightly dispiriting.

The Debussy, too slowly drawn out to suggest any erotic flicker, made a downbeat prelude to the *Gloria*, which rollicked far too rarely and was unconscionably stretched in its "melting" passages. And oh! the relentless smoothness, the stately rallentandi at section-ends, the heavy insistence on subsequent silences: again and again, the music seemed to have lost any impetus whatever. The chorus sustained their increased burden bravely, but they are not very numerous, and in the Festival Hall their collective sound isn't weighty.

After the interval, the shy, rapt *Litanies* paled under similar treatment and so Fauré's gentle *Requiem* had to conclude the concert after an unhelpful, non-contrasting sequence of music. There were bright moments, but also long, pious trudges. The live passion that Alan Opie's baritone lent to the "Hostias" and the "Libera me" was disproportionately welcome; and though at first it seemed a waste not to have Miss Dubosc deliver Fauré's "Pie Jesu", Hickox's choice of the St. Paul's treble Nicholas Thompson justified itself. Small, serious and bespectacled, Master Thompson boasts musicianship, pure, unaffected tone and flawless pitch.

David Murray

Thomas Allen

WIGMORE HALL

A recital that had looked promising obstinately withheld its rewards until late in the day. We know that the baritone Thomas Allen is a masterly interpreter of English song, but it is unlikely that many people in the audience at his Wigmore Hall recital on Tuesday will have expected there to be such a gulf between the English music and the rest.

The first half of the evening passed by with almost nothing to engage the senses. It is not often that this singer sounds as reticent vocally as he did here. In the opening Haydn group there was no energy (the "hurlyburly" of the Sailor's Song coming entirely from Roger Vignoles in the accompaniment). The Schubert songs were disappointingly flat and far too constricted in range – whether of colour, of dynamics, or of verbal point.

Negative feelings predominated at the interval. Then came Butterworth's *Six Songs from A Shropshire Lad* and all such thoughts were immediately dispelled. There is marvellous material here for a sympathetic musician. Housman's poems of young men fated to die before their time provide a sombre colouring within which Butterworth finds many subtle shades, and the warm, flexible singing of this performance did both full justice.

Allen may not be a challenging interpreter of English texts in the way that Janet Baker was or a poet of the language like Pears; but his understanding of how to shape vocal lines so that the words emerge naturally and full of meaning can hardly be faulted. In the hushed, almost confidential singing of the last two songs every word went to the heart. Butterworth's music can rarely have seemed so deeply-felt.

Afterwards American songs by Barber and Ives proved sure-fire successes as always, but Thomas Allen is too polite an artist to sell the music in as brash a fashion as it asks (which Vignoles, full of panache at the piano, certainly was not). Perhaps the truth of the matter is that the sincerity of the Butterworth simply shone through these comparatively shallow pieces. That alone will be the hauntingly beautiful memory of the evening.

Richard Fairman

Lotus and the Rats

ETCETERA THEATRE

You have to walk up litter-strewn Camden High Street to get to the Etcetera pub theatre. Performances are punctuated by the howl of police sirens and car alarms. The traffic noise is almost continuous. Andrew Simon Stirling's new play, *Lotus and the Rats*, staged by Arts Threshold, fits this uneasy setting well.

Stirling's plot and characters seem familiar: these are the same low-lifes and police officers who people countless gritty television dramas like *The Bill*. A hardened copper has to take an inexperienced WPC (a Catholic with a liberal conscience) under his wing; two prostitutes – one, inevitably, with a heart of gold – are terrorised by a drug-dealer and pimp. *Lotus* only rises above this when the production abandons realism and uses the constraints of fringe theatre to its advantage – for example in the frightening climactic scene, illuminated only by torchlight.

But for the rest of its 90 minutes this is a drama played out precariously on the border between authenticity and cliché. Stirling is aware of the pitfalls, and he mocks his own pretentions with some wit through the character of a young middle-class writer, researching but failing to understand the prostitutes' existence. "I don't suppose you've come across someone called Wittgenstein?" the writer asks one of the girls. "I've had Germans over here on business," she replies.

Xanthe Gresham

But the production's real strength is a series of fine performances from the cast of nine, a large company for the fringe. At times I longed for a more focused approach. With a smaller cast and a shorter play, Stirling and director Siddig El Fadil could have explored just one of these stories to much greater effect.

But Arts Threshold's laudable aim is to nurture young theatre talent, and there is much on display here. In particular, Xanthe Gresham and Lise Bruno – respectively vulnerable and embittered, as the two prostitutes – rescue their central roles from the dangers of superficiality in an often overcrowded production.

Lotus and the Rats plays at the Etcetera until October 7.

Andrew Hill

ARTS GUIDE

September 21-27

EXHIBITIONS

London

Royal Academy of Arts. Monet in the 90s: The Series Paintings. The long-awaited blockbuster exhibition has opened in London sending reviewers scurrying to explain the artist's double vision. Burlington House, Piccadilly (287 9579).

Hayward Gallery. Eduardo Chillida. Major retrospective of the Spanish sculptor (261 0127).

Paris

Marmottan's Monets. For lovers of impressionism, the Musée Marmottan is a must. 2 rue Louis-Boilly, closed Mon.

Louvre. Euphronios. Some 60 objects, craters, amphoras and bowls testify to the art of Euphronios, painter and potter in the 6th century BC in Athens, in mastering the technique of red figures on black background. Open all days from 12am to 10pm, except Tue. (40205166).

Galerie du Carrousel. 19th century French masters. (42611075). Closed Sun and Mon.

Grand Palais. Picasso. Closed Tue, Wed late closing.

Musée d'Orsay. The spectacular museum of the 19th century is situated opposite the Tuileries gardens within the metallic structure and the glass-roofed vault of the vast Belle Epoque railway station. It houses paintings, sculptures, objets d'art and photographs from the end of the romantic period to the beginnings of modern art and the Impressionist and post-Impressionist collections formerly in the Jeu de Paume. 1 rue Bellechasse (45494814). Closed Mon.

Picasso Museum. The restored 17th century Hotel Sale provides a fitting home for the world's largest collection of Picasso's work. (42712421).

Musée de Cluny. Goldsmiths' work, carved altar pieces, ivories, fabrics, with two English royal standards embroidered in gold on red velvet. (43256200). Closed Tue and lunchtimes.

Musée Rodin. Delightful 18th century town house - Hotel Biron - contains the life work of Auguste Rodin. Closed Tue.

Martigny

Fondation Pierre Gianadda. Modigliani. (26 223978).

Brussels

Palais des Beaux-Arts. 5 million years: The Human Adventure. Man's evolution seen through 200 Paleontological exhibits. Daily.

Musée d'Art Moderne, Place Royale. The Goldschmidt Collection of Modern paintings recently left to the museum is on view in its entirety for the first time. Works by Braque, Chagall, Hockney, Klee, Miro and others. Closed Mon.

Musées Royaux d'Art et d'Histoire. Inca-Peru an exhibition that traces the evolution and decline of the Inca culture through 450 artefacts. Closed Mon.

Barcelona

2nd Barcelona International Art Forum. Fundacion Miro. Joseph Beuys. Some 130 drawings on the theme of oriental philosophy. Closed Mon.

Florence

Palazzo Vecchio. The age of Masaccio. 109 works by painters and sculptors who worked in Florence in the golden years between 1401 and 1440. Included are frescoes, sculptures and drawings by Paolo Uccello, Beato Angelico, Gentile da Fabriano, Donatello, Brunelleschi, Ghiberti and Filippino Lippi. Ends Sept 30.

Venice

Palazzo Grassi. From Van Gogh to Picasso – from Kandinsky to Pollock. Ends December 9.

Palazzo Ducale. Titian. The largest for over 50 years with more than 70 paintings on show, lent by American, Russian and European museums. Ends Oct 7.

Düsseldorf

Kunstmuseum, Ehrenhof 5. Conrad Felixmueller. Around 80 paintings, 80 watercolours, drawings, 40 prints as well as five plastics by the expressionist painter.

Frankfurt

Jüdisches Museum, Untermainkai 14/15. Expressionism and Exile from the most important private collection of Ludwig and Rosy Fisher, 117 paintings are exhibited. Among the artists are Kirchner, Heckel, Nolde and Mueller. Until October 10.

Hanover

Sprengel Museum. Kaethe Kollwitz (1867-1945). Eleven plastics, 70 paintings 70 prints of the politically radical artist are to be seen until October 28.

Essen

Museum Folkwang: Vincent Van Gogh and Modern Art. On the 100th anniversary of Van Gogh's death, this exhibition aims to display his influence on European modern art. Goethestrasse 414300, Essen 1.

Villa Huegel 15. St Petersburg around 1800. With 555 pieces on loan from Leningrad's state Hermitage Museum, the exhibition details the developments of Russia from a great empire to a European power.

Berlin

Martin-Gropius-Bau, Stresemannstrasse 110. Bismarck's Prussia, Germany and Europe.

New York

Brooklyn Museum. From pastoral landscapes to moonstruck mature fantasies, this comprehensive exhibit makes the claim for Albert Pinkham Ryder as the first modern American painter.

Washington

National Gallery. Artistic dividends of the end of the cold war continue with a comprehensive show of Suprematist Kasimir Malevich and his Soviet contemporaries with works never before lent by the Soviet Union.

Chicago

Chicago Historical Society. A House Divided, America in the Age of Lincoln. Documents, mementos and personal effects of the Great Emancipator.

Art Institute. French masterpieces borrowed from the Soviet Union's Hermitage and Pushkin museums.

Tokyo

Hara Museum. Hara Annual 10. Since its establishment 10 years ago, this museum has held an annual show of young and emerging Japanese artists – a good opportunity to observe new developments and directions in Japanese art. Opens Sept 26.

Touko Museum. Issey Miyake: Pleats Please. Costumes and art objects by Japan's top fashion designer.

Setagaya Museum. British Art Now. 16 artists are represented, including David Mach who came especially to Japan to install a three-dimensional seascape. Closed Mon.

Stunning the Punters

WATERMANS, BRENTFORD

Stunning the Punters is a trio of plays performed by George Dillon. He is a mesmeric actor, physical and unsettling, who has worked extensively with Steven Berkoff. And that says it all. Anyone who agrees with the programme note, that Berkoff is the greatest living British actor/writer/director, will wallow in *Stunning the Punters*. Anyone who has the teeniest of doubts will just be rather impressed.

Dillon has the Berkoff shaven head; the Berkoff obsession with acting through the body. He also has the Berkoff sneer and, much more sinister, the Berkoff smile. And the first playlet, *Master of Café Society*, is written by Berkoff. It is the weakest of the three. "H" is an out of work actor who makes a ritual of breakfast because it is the only fixed element in his day. After returning from the café he becomes non-existent. The play is pretty non-existent, too, and for all his grimacing and posturing Dillon never really makes you care.

Next comes *Stunning the Punters*, a faithful adaptation of a Robert Sproat short story about Tottenham skinheads. Here the ground is firm and fruitful. While Berkoff fantasises, Sproat's writing is as lively as White Hart Lane on a Saturday afternoon. Gesture and physical posturing are crucial in skinhead culture and Dillon welds the words of his street sharp character to almost balletic movement. Fortunately he has the chance of a *tour de force*: the electrification of one of the characters; but it is in the ingratiatingly familiar, and funny, words that Dillon makes his impact. There is even a thoughtful message. "By pretending something's never been said you end up screaming it."

The longest piece is the last. *The Dream of a Ridiculous Man* is Dostoevsky at his most febrile, a romantic mishmash of fantasy and passion, in which a sleeping man discovers paradise and pollutes it, yet is redeemed by his vision. In less committed hands it would fall apart through its pretensions but Dillon makes it a compelling vision.

Laurence Boswell directs the triple bill, and the performances end on Saturday. It is all strangely arresting.

Antony Thorncroft

FINANCIAL TIMES

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Unnecessary oil shock

THE LEADERS of the international community have deservedly been praised for their firm and united military response to the Gulf crisis. Unfortunately, the same cannot be said of the less glamorous, but arguably more important part of the policy challenge which the world faced on August 2: the need to protect the international economy from the potentially destructive consequences of Saddam Hussein's folly. In the economic and financial confrontation, Iraq is winning. Either through sheer incompetence or, more likely, because of inattention at the top, the western world's economic response to the Gulf crisis has been a total failure.

As a result of these policy failures, oil prices have risen by 90 per cent in response to a supply drop now running at less than 2.5 per cent of world output.

The pain caused by this price explosion, especially in the most vulnerable countries of the Third World and eastern Europe, will not be lessened one iota by spurious comparisons between the severity of the present oil shock and the two that went before. The fact that the world has already experienced two oil-related disasters is no argument for plunging headlong into a third – especially when the nature of the present oil shock makes it far more amenable to intelligent economic policymaking. There are at least two reasons why policymakers can and must act to control the economic impact of the confrontation with Iraq.

Heavy replacement

In this oil crisis, unlike the previous two, the world's most important producers have shown themselves to be every bit as keen to avoid disrupting the world economy as the consumers. OPEC has already replaced 60 per cent of the 4.3 mbd of exports lost from Iraq and Kuwait and by the end of the year there should be 95 per cent replacement, according to the International Energy Agency's latest figures. However, the richest oil producing countries in the Gulf should now be called upon by the international community to do even more. They must use the immense windfall profits they have been earning as a result of higher oil prices to support the worst-afflicted victims of the oil shock. With oil prices at $35 a barrel, Saudi Arabia and the UAE alone are earning $4bn to $5bn more in oil revenues each month than they would have been at $20 a barrel. They should now formally undertake to recycle the bulk of this surplus to non-oil producing countries in the Third World and eastern Europe – and to do so as straight grants, not loans.

Enormous reserves

Secondly, the world should have learnt from its experiences in 1974 and 1979 – we now know that the worldwide balance between oil supply and demand is unlikely to sustain prices above $20 to $25 a barrel in the medium term, and large consuming countries have taken the precaution of building up enormous reserves to insure themselves against short-term supply disruptions.

The failure to use strategic reserves to stabilise oil prices has been an extraordinary and unforgiveable omission. Of course, if a shooting war breaks out in the Gulf, use of the reserves will be even more essential. But using the reserves now would not in any way impede further releases in the event of additional disruption. The size of the reserves held by the US, Japanese and German governments, is so immense that compensating for the entire estimated shortfall in supplies between the start of the Gulf crisis and the end of the year would have used up only 25 per cent of the amount available.

Because the real constraint on the use of reserves is not their absolute size but the rate at which they can be pumped out of storage, this reserves reduction would have no significant impact on their strategic value should a war break out. The US reserve, for instance, can probably be used at no more than 2.5m barrels daily. Even if 25 per cent of its present 600m barrel capacity were used up by the end of the year, this reserve could still release oil at its maximum rate for more than six further months.

A country divided

REGIONAL divergence in economic performance, long a bugbear of the British economy, accelerated in the 1980s. The disparity in regional wealth and employment is more likely to widen over the next 10 years than be reduced. These pessimistic conclusions – published this week by a group of academics in the Cambridge Regional Economic Review – are justified despite some recent signs of improvement. The regional disparity in economic performance over the past 10 years has become more entrenched, a powerful qualification to government claims that the UK economy has become more responsive to market forces.

The absolute North-South unemployment differential rose from 2.5 percentage points in 1979 to 3.9 percentage points in 1989. For males aged 20-24 the gap rose from 3.7 to 6.5 percentage points over the same period. Similarly, employment grew by 7.6 per cent in east Anglia between 1980 and 1989; by 7.6 per cent in the south-east; but fell by 6.7 per cent in the northern region and 5.3 per cent in the north-west. Over the next decade, the Cambridge study predicts that employment will grow by 3.8 per cent in east anglia but by only 1.5 per cent in the north-west.

The concentration of employment losses in heavy manufacturing industry in the North during the 1980-81 recession continued the process of relative economic decline of these regions. The sharp appreciation of sterling accelerated, rather than initiated, this decline. But it did lead to rapid growth of long-term unemployment, concentrated in the North among unskilled males, both young and old.

Wealth creation

Save for the century or so following the industrial revolution, the southern regions have been the centre of wealth creation in the UK, not to mention politics, commerce and the media. In almost no other developed country has economic and political power been so concentrated for so long.

British markets have failed to redress this imbalance. The Cambridge report argues that even though nominal wages have grown more slowly in the North, they have risen relative to wages in the South in real terms, despite relatively high unemployment. National wage bargaining has prevented adjustment of relative wages in the North from attracting employers to these regions.

House prices

Equally important are the wide disparities in house prices, combined with the absence of an adequate private rented sector. Only skilled workers in the North who can expect large wage increases following a move south can afford to migrate; but these are just the people the North needs to retain. Meanwhile, manual workers have been unable to move, since southern house prices are prohibitively high, the stock of council housing is dwindling away and the private rented market is both expensive and minuscule.

Government policy has failed to address these defects in the market, while compounding the regional division. Spending on regional policy has fallen 60 per cent in real terms. Furthermore, the location of the third airport at Stansted, the Channel Tunnel, the building of the M25 and M11 have all encouraged further development in the overstretched south-east, while reducing the attraction of the North.

The Cambridge report proposes two solutions: a regionally differentiated component in the financing of the new Training and Enterprise Councils; and co-ordination of investment in "business infrastructure" at selected sites within the northern regions.

While laudable, such proposals will prove insufficient. Training skilled workers is of little use if they then move south. Investing in business parks is of little use if businessmen cling to their deep-seated prejudice against the North.

The Cambridge report fails to propose a convincing solution. This failure is itself symptomatic of the severity of the problem. But the report is well timed and substantive in its analysis. What is needed is radical policy action on a number of fronts simultaneously. The North has waited long enough.

French stand-alone military doctrine is becoming harder to square with EC integration, writes Ian Davidson

Gulf shakes Gaullist taboos

The Gulf crisis is transforming the debate on the future of European integration. Political integration, which was already being pushed forward by the pressure of the Single Market and German unification, is now being focused more sharply and urgently by security and defence issues.

The practical responses so far have been limited, but the political stakes could be very high. For the first time in many years, the imperative need for European co-operation may have some chance of breaking down old French taboos on defence policy.

Against all expectations, the co-operation is taking place inside the Western European Union, the long-quiescent nine-nation European defence organisation. It seemed initially to have little chance of success, since it was begun against the nationalistic inclinations of Britain and France. Now, co-operation appears to have taken hold, and to be acquiring credibility at both political and operational levels.

Questions of defence co-operation are particularly neuralgic in France, where a long-standing consensus has been built on the Gaullist principle of absolute national independence. It is an article of faith that France, as a nuclear power, cannot share or subordinate the ultimate decisions of life and death. Therefore, France's defence cannot be integrated with that of any other country, and above all cannot be part of Nato's integrated military structures.

French officials have in recent years sought to smooth the asperity (and the unreality) of Gaullist doctrine, with increasingly outspoken assertions of France's political loyalty to the Alliance, and of its active military co-operation with Nato forces. But until now, President François Mitterrand has admitted no infringement on the principle of French independence, nor any exception to his hostility to any sort of Nato military integration. Questioning this policy has been taboo.

Yet the Gaullist principle of absolute national independence now appears to be confined exclusively to the defence domain. It certainly does not seem to apply to economic and political integration in the European Community. In the 1960s, General de Gaulle fought bitter battles to hold back the forces of integration in the Community, and managed to delay the process for quite a while. Now there appear to be no sacrifices of economic and political sovereignty which President Mitterrand is not prepared to envisage in the cause of a coherent and united Europe.

In 1985, he and Mr Helmut Kohl, the West German chancellor, launched the process which led to the Single European Act, the programme for the single market and the expansion of majority voting in the Council of Ministers. Since then, the two leaders have successively urged their partners on to ever more ambitious goals: first the objective of economic and monetary union (EMU); then a firm commitment to the opening of negotiations on an EMU treaty; then the added objective of a parallel treaty on political union, including an unspecified security and foreign policy ingredient; and finally a commitment that negotiations on the two treaties would start together this December.

This summer President Mitterrand finally said the words which describe his vision of the end of the Community road: a European federation.

In the end, the divergence between President Mitterrand's policy of political and economic integration and his rhetoric of military nationalism would be bound to lead to severe contradictions. Indeed, these contradictions are already apparent. President Mitterrand regularly alludes to the desirability of a more united European approach to defence issues, and just as regularly blames Mrs Thatcher for making it impossible. He does not acknowledge that there is as great an obstacle in the Gaullist doctrine of French national independence.

In domestic politics this sustained contradiction has had advantages. It has enabled him to pursue a policy of political and economic integration in Europe without provoking serious political opposition at home, notably from his main potential adversaries, the Gaullist RPR party led by Jacques Chirac, the former prime minister.

Over the past few years, all the main conservative parties have gradually been sucked into the logic of economic integration and the open market. It has been a recent conversion for the Gaullist Party, which remains spiritually divided. There is a modernist wing, led by Mr Edouard Balladur, the former finance minister, which would rather junk the rusty doctrines of General de Gaulle and turn itself into a rational, free-enterprise, conservative party like any other; and there is a populist wing, led by Mr Charles Pasqua, the former interior minister, which remains ever ready to beat the nationalist drum and yearns to return to its old emotional roots.

The reservations of the populist wing on economic and political aspects of European integration are being accommodated in Gaullist party policy. Mr Balladur assuages Gaullist feelings on the issue of economic and monetary union when he declares that his party supports a "common" currency, but not a "single" currency; and Mr Chirac differs from the President's objective of political union in Europe, saying that France must keep control of "all the instruments necessary to the mastery of its destiny".

But the terms of this accommodation are completely unthreatening to President Mitterrand's broad strategy, partly because the Gaullist party is divided, partly because the other main conservative parties, which account for about half of the conservative opposition, are much more unequivocally committed to the strategy of European integration. In short, the Gaullist party has mounted no sustained public campaign against the President's EC policy, and it is unlikely to mount such a campaign even when the prospective treaties on Economic and Monetary Union and political union start to take shape.

Nationalism is not confined to the Gaullists. There is a nationalist wing in the Socialist Party, led by Jean-Pierre Chevènement, the defence minister, which though now reduced to about 8 per cent of the party militants, remains vocal.

If one adds up all the factions opposed to President Mitterrand's pro-Community strategy – the Communists, the Ecologists, half the Gaullists, and the extreme right-wing National Front – one probably comes out with some 30 per cent of the electorate. Moreover, nationalist and interventionist reflexes remain alive within the political consensus, even among loyal socialists such as Mrs Edith Cresson, the European affairs minister.

Whatever its domestic virtues, the contradiction could not be indefinitely sustained without jeopardising the government's credibility

But none of the big political parties has been willing or able to offer an alternative to the logic of the large European market, or to its consequence of economic and monetary union, and none is likely to do so.

In the presidential election of 1988, there was simply no real debate on Europe, because the whole of the respectable political establishment had been co-opted by the logic of the president and the logic of the marketplace. In 1986, after their return to power, the Gaullist party was induced to endorse and ratify the Single European Act, and it remained committed to its new pro-European policy.

That is one reason why Mr Jean-Marie Le Pen, leader of the extreme right-wing National Front, was able to score more than 14 per cent in the first round, because he was the only man actively peddling nationalism and xenophobia; and it is one reason why, at least until the Gulf crisis, Mr Pen continued to score about 15 per cent in the opinion polls.

President Mitterrand has deployed the contradiction between his pro-Community policy and his defence doctrine, as the ultimate political insurance policy against his domestic opponents. By convention in the Fifth Republic, the president has absolute responsibility for defence and foreign policy issues. If he remained unassailable here, he would have more freedom of movement on lesser issues, such as economics.

Whatever its virtues in the arena of French domestic politics, the Europe/defence contradiction would sooner or later have had to be confronted. It could not be indefinitely sustained without jeopardising the government's credibility. The question now raised by the Gulf crisis is: has the moment of truth at last arrived?

As yet, there is no unequivocal answer. In public, the contradictions and the inconsistencies are as glaring as ever. In private at the highest levels of the administration, there is a new interrogative note. Last week, a highly-placed official asked: "Has the taboo been broken?" It may seem innocent enough, but two weeks ago such a query would have been inadmissible and inconceivable.

Last week in Paris, the foreign and defence ministers of nine European governments agreed to reinforce the co-ordination of their contribution to the embargo against Iraq. Mr Roland Dumas, the French foreign minister, called the agreement "a big step in the search for a common [European] security and defence policy".

Other parts of the government continued to say that French forces in the Gulf would be under independent French command. Few people in France can believe this, since it must be obvious that the choice between war and peace will be taken by the US, with 165,000 men, or by the Iraqis with 1m – not by the French with 13,000. But it is still anathema to admit that French forces in Saudi Arabia, like the British, will have to be under tactical US command.

On the same day last week in Munich, after a meeting with Chancellor Kohl, President Mitterrand announced the withdrawal of half the French forces stationed in Germany. The German authorities made clear that they would be glad to have the French forces stay; and staying would be a useful way of keeping the German army bound into the collective defence of western Europe. But staying would have to be re-negotiated on terms of equality with a newly sovereign Germany, and that could raise uncomfortable questions about France's defence doctrine. President Mitterrand preferred to go.

Events are moving too fast to predict the course of French thinking. By the middle of November, President Mitterrand must decide what he wants to say at the pan-European summit in Paris. By the middle of December, he must decide what security ingredients he wants in the projected treaty of political union. By the end of the year, he must decide what contribution France intends to make to the reform of Nato, or whether it intends to abdicate from the process.

But by common consent, the critical variable will be the crisis in the Gulf. This will determine the debate in France and elsewhere on European security. Economic and Monetary Union is a decision of principle which has already been taken, whatever Mr Waigel and Mr Pöhl may say. The serious choices facing western Europe now focus on questions of national and European security.

This article is the latest in a series on EC states' attitudes to sovereignty that started on August 6.

OBSERVER

Shrinks back wrinklies

■ Not everyone would welcome news that the *psychology profession* is coming to their aid. Indeed, to some, it would smack of the comedian Max Boyce's discovery that the Samaritans had gone ex-directory.

But older workers cannot afford to be choosy about their allies (except, perhaps, in the US and Sweden which ban age discrimination, and France where it is discouraged).

In most places elsewhere, as they've grown older, the age when employers are apt not just to throw them out but bar their re-entry has got younger. Five companies surveyed by the Manpower Studies Institute this year believed senility started at 40.

Nor is the outlook for people much above that age any better. On past experience, they'll be the prime victims of impending middle-manager-scrapping in industry.

The hard evidence on their capabilities is spelt out by two researchers in the British Psychological Society bulletin. They report that, regardless of age, "intelligent people remain so, and provided that they employ their intellectual capacities they should maintain their performance. In addition, there is likely to be an increase in expertise and accumulation of knowledge."

While the evidence is impartially scientific, by the way, the same cannot quite be said of the psychologists' interest in it. "Ageism" is apparently becoming rife in the universities where many of them work.

Scots wha hae

■ "Does Britain need a new foreign policy?" was the title of yesterday's valedictory address to the Royal Institute of International Affairs from its retiring Director of Studies, William Wallace, who leaves Chatham House next week for St Antony's College, Oxford.

He answered his own question in the affirmative, one of his themes being, as a self-styled "Scot working in London", that there was too much emphasis on English, as opposed to British, traditions and values.

Lord Beloff, who was in the audience, was having none of it. The Act of Union, he thought (hoped?), might soon come to be seen as "a temporary episode in English history", since "Scotland is now the only country in Europe, apart from Albania, that takes socialism seriously."

Ambushed

■ The Vancouver stock exchange has a more pressing worry than slumping share prices or stagnant volumes.

Having battled to overcome its reputation as a penny-stock casino better suited to cowboys than investors, the VSE is now worried that its work will be undone by a prime-time TV broadcast next week by the US network ABC. Vancouver officials have accused ABC of ambush journalism in preparing its programme.

The network has apparently gathered unflattering evidence about the way Vancouver-listed companies raise money. It did so by sending a couple posing as investors, but carrying hidden cameras, to meetings with some of the VSE's more colourful stock promoters and brokers.

An ABC crew showed brief excerpts of the encounters to VSE president Donald Hudson at the end of what one aide calls a tough one-hour interview. The exchange says it wants to investigate any excesses by its members, but the network has refused VSE lawyers' requests for unedited tapes of the meetings.

The VSE has been wary of the media since Forbes magazine called it the "Scam Capital of the World". However, that description hasn't stopped thousands of North American and European investors from pouring money into VSE companies involved in a modern-day gold rush in north-east British Columbia.

"Brian's delighted with the white paper, but then he's a polluter."

High spaces

■ This week's party to mark the publication of Jeremy Paxman's book on the British Establishment held out the promise of an evening mingling with the Great and the Good at the Athenaeum.

The invitation from Michael Joseph told me Mr Paxman had interviewed more than 150 of the most powerful men and women in the land during his research.

Alas the BBC television presenter seems to have fewer *Friends in High Places* than I imagined. The basement of one of St James's most favoured resting places for bishops, judges and other pillars of the old order was packed with media glitterati. But the only real Establishment figure I could find was one of the Queen's private secretaries.

Perhaps that was because *(as Mr Paxman puts it)* power in the Thatcher era resides with those who are "One of Us", not in membership of any particular social circle.

Fast post

■ "A stimulating, challenging opportunity to apply your accounting and management skill," enthused a job advertisement by Britain's Inland Revenue. It was also a race against time.

The advertisement for a head of an accounting unit in Worthing appeared on September 13. The closing date was the 19th, giving contenders just six days to send for an application form, complete it, and have it back in the recruiters' in-tray.

"A bit of a rush job," breezed the Revenue. "But we had more than enough applicants."

Could it be that they all had family connections with the Post Office?

Comment

■ East-west relations are improving even more quickly than we thought.

At the dinner after the "2 plus 4" agreement sealing German unification, the German negotiator entertained his Soviet counterpart with the story of the arrival of the newspapers at a future Bush-Gorbachev summit.

George Bush turns straight to the FT to check the dollar/DM rate. Gorbachev takes the paper from him saying he wants to check the rouble-DM rate.

"You won't find it there, Mikhail," says Bush. "Why not," asks Gorbachev. "Look at the front page headline," answers the US president.

The headline read: Trouble on German-Chinese border.

ECONOMIC VIEWPOINT

Fiddling before Armageddon

By Samuel Brittan

The former British deputy Prime Minister, Lord Whitelaw, once accused his political opponents of stirring up apathy. I was reminded of this charge by the World Economic Outlook, prepared by the International Monetary Fund for this week's annual conference in Washington.

One does not expect fireworks from the "Outlook". This time, however, the technical limitations are compounded with all the other forces of inertia and wishful thinking to downplay the consequences of Middle Eastern conflict on the world economy. Faced with Armageddon, world economic statesmen try to declare business as usual and confine themselves to finicky adjustments to forecasts.

But before stating my own conclusions, let me pursue some boring arithmetic. Growth in the industrial countries averaged around 3 per cent per annum in the decade up to 1987. It then accelerated to an unsustainable 4 per cent in 1988-89 and has since been declining under the influence of counterinflationary policies.

According to the IMF it will bottom out at the respectable rate of 2.4 per cent in 1991, before recovering in 1992-95 to an average of just over 3 per cent – in line with the growth of productive capacity. Inflation (measured by consumer prices) is expected to peak at 4.8 per cent in 1990 before falling to 4.3 per cent next year and then returning to the 3-4 per cent range in 1992-95.

The IMF forecasts are based on a breathtakingly modest price of crude oil of $26 per barrel in the remainder of this year, coming down to the Opec reference price of $21 per barrel by the end of 1991.

Faced with Armageddon, world economic statesmen try to declare business as usual

Economic commentators – myself included – have hitherto said that the current oil price shock is much less severe than the two previous ones following the Yom Kippur War and the downfall of the Shah. But this assessment needs to be revised. For at anything above say $54, the oil price will have trebled, as it did in 1978-81. The World Bank's worst "war scenario" envisages a price of $65, reached fairly soon and only dropping in 1992.

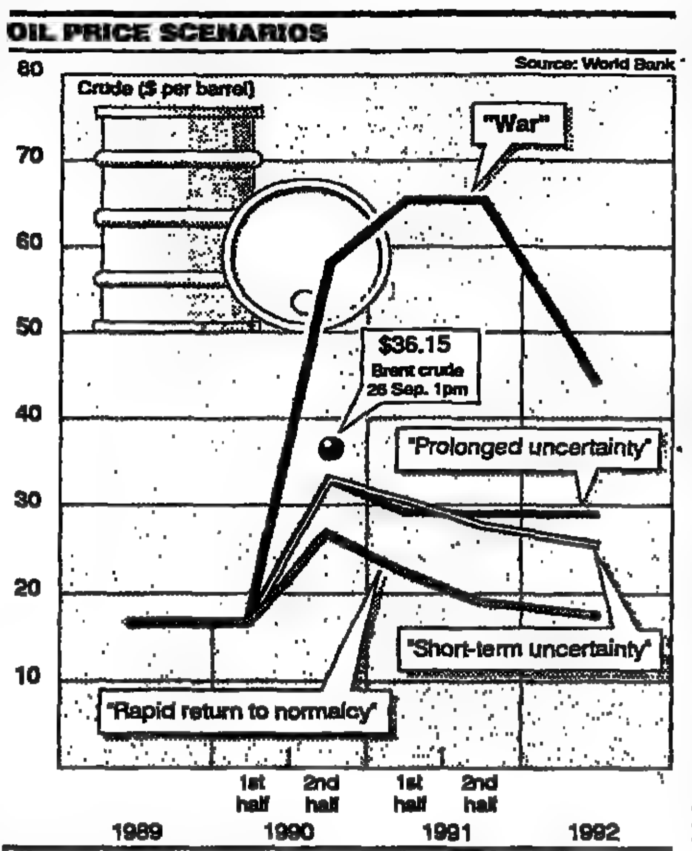
Unfortunately Mrs Thatcher's reported scepticism about sanctions on Iraq ever working is likely to be justified; so the chances of such a war are very serious. It is thus a pity that the Bank's published simulations omit the worst cases and are similar to the Fund's.

Let us cautiously assume an average price of $44, not for 1992 but for next year. This is hardly far-fetched in relation to the movement of Brent crude prices in the past few days and makes only a gesture towards the prospect of a shooting war.

What would be the implications of such an oil price for the Fund forecasts? The Economic Outlook itself has a simulation showing real growth rates down by 0.3 percentage points for every $7 rise in the oil price and inflation up by 0.5 percentage points (measured by consumer prices). Applied to a $44 oil price the effect would be to bring average 1991 growth rates down to 1.5 per cent and inflation rates up to 5.8 per cent.

At first sight this might seem not too bad in the face of the Middle Eastern crisis – just a growth recession and inflation trotting rather than creeping. But then apply the IMF adjustments to countries where inflation was already expected to be faster than average and growth slower. The US and Britain would both be near zero growth. The British inflation rate, instead of coming down to nearly 5 per cent as shown in a Fund chart, would on IMF arithmetic be stuck at nearly 7 per cent and in reality much higher. The worst effects however would be on the Third World and Eastern Europe.

Up to now I have ignored the fact that the IMF simulations are at the low end of the range. Oxford Economic Forecasting, for instance, has oil effects twice as large. Moreover, I have played safe in ignoring what mathematicians would call the "non-linear" effects of oil price increases. In other words, the effect of a $21 increase would almost certainly be much worse than three times the effect of a $7 one. Supply side effects would also be "non-linear", as many products and production methods based on low energy prices would become uneconomic as oil prices soar.



In the more severe case, multiplier effects would develop more quickly, as the countries worst affected began to cut their spending and contractionary forces gained ground. Investment and non-oil stockbuilding would be hit by the general stagnation and in turn add a further downward impulse. The problems of financial institutions already suffering from bad debts and low profitability would be compounded in an environment of high nominal interest rates.

The effect of a prolonged period of very high oil prices would, as in past oil crises, be a world slump combined with an acceleration of inflation. (Anyone who believes that slump and severe inflation cannot co-exist together has only to look at the 20th century history of Latin America.)

So far from being able to relax monetary policy to combat recession, central banks would have to maintain tight policies to prevent a wage-price scramble from developing. The IMF simulations imply an increase in short term interest rates of 2.4 percentage points for a $44 oil price; and this is more likely to be an under than an overestimate.

Moreover, everything so far said has concentrated on quantities and ignored the quality of output. The diversion to military spending of what would otherwise have been the "peace dividend" is a net subtraction from world welfare not shown in the statistics.

Can anything be done to avert the threatened slump? The IMF rightly warns against trying to counter the recessionary effects of higher oil prices by easing monetary policy.

But the best of macro-economic responses is only damage limitation. A more fundamental approach, supported for instance by Nigel Lawson (who is a former Energy Secretary) at the Italian Chamber of Commerce last week, was to release some of the large official western oil stocks to dampen down prices and thus tackle stagflation at its source. He pointed out that in the 1979-80 crisis there was hardly any reduction in supplies and the price explosion was almost entirely due to precautionary stockpiling.

The release of oil stocks should be sharply distinguished from the bad populist idea of putting pressure on oil companies to prevent them passing on price increases to the consumer. As the IMF remarks, this would merely distort the functioning of markets and cause shortages. Another bad idea is that of a "dialogue" between oil producers and consumers which could only legitimise the Opec cartel.

A comparison can be made with the foreign exchange market. The more crudely interventionist ideas correspond to foreign exchange controls. Sales from official oil stocks correspond, on the other hand, to central bank market intervention which, if shrewdly timed, can be both stabilising and profitable.

The response of the International Energy Agency – that oil stocks should only be used if there is a physical shortage – shows deep ignorance of the role of prices in clearing markets before shortages can arise.

A more serious but sinister objection is that official oil stocks – which are 60 per cent American – are being kept for use in the event of a prolonged shooting war which took Arabian oil fields out of action for many months. Even in that case the time to intervene will be not when the disruption occurs but when it is clearly anticipated by the oil market.

I share the suspicion that any war with Iraq would be longer and messier and leave a nastier legacy than generally realised. But I would still take the risk of placing some official stocks in the market at the right tactical moment. After all, an international slump would be the first big victory that Saddam Hussein has achieved since his conquest of Kuwait.

BOOK REVIEW

Fictionists should stick to their last

HAROUN AND THE SEA OF STORIES
by Salman Rushdie
Granta Press/Penguin £12.99, 218 pages

THE DWARFS
by Harold Pinter
Faber and Faber, £12.99, 183 pages

A coincidence of the publishing calendar brings new books by Salman Rushdie and Harold Pinter hard on the heels of each other and it is illuminating to consider them side by side. Although Rushdie's is for children and Pinter's for adults, taken together they make a powerful case for the view that a literary artist is at his most effective when he restricts himself to the world of the imagination.

The two men are friends. Pinter has been a powerful support to Rushdie in the storm that broke over him after the publication of The Satanic Verses. Pinter was at the head of a writer's delegation to Downing Street over the book in 1989.

Rushdie was one of the original group of anti-Thatcherite writers who used to meet to discuss political matters at Pinter's and Antonia Fraser's house in London. In 1986, Rushdie made a three-week visit to Nicaragua and became absorbed in the internal politics and power struggles of that country. He wrote about them in The Jaguar Smile.

Pinter has turned from creative work to devote a lot of time and energy to questions of human rights worldwide. He has been a force in International PEN, the writers' organisation which fights a continuing battle through its Writers in Prison Committee to alleviate the lot of authors who have been sent to jail on account of what they have written or may perhaps write.

Pinter's political conscience has motivated his most recent plays. One For the Road showed people being tortured for opposing a totalitarian regime. Mountain Language depicted the wiping out of a minority group's language and way of life by a ruthless central government.

Cynical admirers have suggested that there is a correlation between the extreme brevity of these recent plays, combined with Pinter's failure to produce much else in the way of new work for the theatre, and his active political involvement. Patrons look back with fond regret to the fertile period of The Birthday Party and The Caretaker when, by conjuring up a shadowy, disjointed world of his own devising, Pinter seemed a playwright of universal scope.

Pinter's novel The Dwarfs dates from the earlier vintage period. He explains: "I wrote The Dwarfs in the early 1950s, before I began writing plays. I didn't offer it for publication at the time." In 1960, he extracted a part of it to make a short play under the same title, but reading it again last year decided that after some cuts it was worth publishing in its original form as a novel.

Like several of the plays, it treats of an alliance between three men and the events, real and imagined, that cause it to crumble. Set in different houses near Hackney Downs, where Pinter was brought up, it has most in common with The Homecoming, and consists almost entirely of desultory conversations between the men and a young woman.

They begin the book in a high degree of inter-dependence, but they are capable of sudden bursts of violent verbal aggression against each other. They all have lowly jobs and little formal education; yet at times they are capable of extremely subtle discourse.

These discourses vary widely in tone – from drunken ribaldry to incandescent indignation at a discovered betrayal. The fiction has a key place in the understanding of Pinter's work and shows his gift for the disclosure of the deceptions perpetrated by the private self.

Salman Rushdie's novels, especially the Booker Prize-winning Midnight's Children, have always had an abrasive topical element among more genial, traditionally Indian ingredients.

Rushdie was born, like the hero of that book, into the divided world of the period immediately following Independence, and the ugly spectacle of civil strife and private vengeance has been present to him ever since he was a child.

Rushdie's Haroun and the Sea of Stories is about a a professional story-teller, Rashid, whose nickname is the Shah of Blah. The episodes of the story were told in the first instance by Rushdie to his own son.

Rushdie gets as much mature resonance out of his tale – tracing the story-teller's quest for the elixir that will bring his gift back on stream – as his eminent predecessors do in their multi-layered fables. Rashid and Haroun traverse an imaginary country spanning great distances; the erratic over-crowded public transport system there ("buses that dripped people the way a sponge drips water") suggests it is not unrelated to India. The Arabian Nights was Rushdie's favourite reading when he was a boy, and there is a strong strain of that, too: a mood of enchantingly exuberant fancy.

The ultimate story is the one that concerns the story-teller himself. His own life depends on the power of his stories to please and to persuade. Throughout the book political argument and the absurdly pompous language in which it is couched, becomes hilariously funny and this is a great relief. Local Indian English has a vein of poetry which Rushdie taps in the speech of a number of petty officials. Nor is the tale insulated against the sadnesses of our contemporary world. At the start, the boy and his dad suddenly become a one-parent family.

Both these books underline the truism that it is when he stays within his boundaries, and when he is in full occupation of his own peculiar territory, that a writer reaches the widest audience. It would be a black day for our culture if circumstances should ever prevent Pinter or Rushdie from doing what they do best, which is writing novels and plays.

Anthony Curtis

LETTERS

Danger in discrimination against part-timers

From Mr John Hughes.

Sir, The FT seems addicted to editorials reproducing governmental responses to the European Commission's draft employment directives, notably on part-time employees. Your editorial comment ("How not to create jobs," September 25) is the second this summer. This addiction could seriously damage the health of the FT's reputation as a responsible European newspaper.

You take umbrage at proposals that would substantially end explicit discrimination in pay and conditions against, for example, part-time and temporary employees, and therefore against the 4½m part-time female employees in Britain (over 80 per cent of British part-timers are women). You do not challenge the reality of such discrimination, rightly, since the 1986 National Economic Development Office (Nedo) report, Changing Working Patterns, documented such practices in detail. Consequently you cannot but accept the Commission's key argument that such large-scale discrimination distorts competition since it has effects on labour costs, avoids social security costs, and therefore impacts on comparative costs.

Your arguments (I say your, but the voice is recognisably the government's) are dangerous as well as wrong.

On the logic of your editorial we should never have embarked on equal pay for equal value for full-time workers previously discriminated against, for fear of their unemployment. Yet in the last decade it was full-time female employees whose employment increased by over half a million, while it was men's employment that fell by 1.7m. With females who work part-time still victims of cost-cutting discrimination, their employment also rose by over half a million, but their average (constant price) earnings rose only 20 per cent compared with a 37 per cent gain for women who work full-time.

The government itself estimates that "over 90 per cent" of UK labour force growth in the next decade will be accounted for by women. The reality is that there are many efficiency and cost-saving reasons why employers will seek to employ part-timers even if explicit discrimination is forbidden. As the paymaster general said recently: "Against the background of the likely demographic shortages of the 1990s the Civil Service must be able to retain those trained and experienced staff who cannot work full-time."

In political and moral terms your arguments are indefensible. One cannot tolerate such double standards of morality – in a single market – as to say as the government does: "Britain is firmly committed to equality of opportunity" for men and women, and then defend the practising of cumulative discrimination against the 42 per cent of our female employees who work part-time.

It is also politically dangerous in the run-up to a general election to be publicly involved in a punch-up with most of the rest of the Community in defence of such discriminatory practices when this posture might be noticed by the part-timers themselves. The majority of those 4½m women are in the age ranges 30-59. The majority will vote. What if they vote against discrimination and for equal opportunity.

John Hughes,
Trade Union Research Unit,
Ruskin College, Oxford

Soviet restructuring: privatisation must begin now

From Mr Oleh Havrylyshyn.

Sir, Alexander Kennaway ("Soviet economic restructuring," September 21) fears "immediate privatisation would lead to ruin" and offers instead a steady-pace programme to make enterprises more responsive to quality improvement needs.

He is certainly right about one thing: ministries perform no useful function except to keep bureaucrats in privilege. Alas, what he recommends would only reinforce this privilegentsia. If privatisation is not to be used, who is to establish direct supply relationships between firms? Who is to organise the competitive supply relationships over short distances? Who is to decide what is short and what is long? Who is to determine Kennaway's ideal locations where workers have little alternative so that they cannot simply go elsewhere?

For the last I have a suggestion: the KGB will do better than Gosplan. For the rest, it seems Mr Kennaway has unknowingly rediscovered the Ryzhkov formula of reform: we shall plan our way out of the Plan.

In Mr Kennaway's world, is it not usually the case that, if someone has done a terrible job, you bring in a different lot to clean up the mess? There is no different lot other than privatisation Mr Kennaway, and while the task of privatisation need not be completed immediately, it should certainly begin immediately.

Proposals to first develop this or encourage that come down to nothing more than: "We know better than the old planners and the market."

Oleh Havrylyshyn,
professor of economics,
George Washington University,
Washington DC

Learning to live with stock market volatility

From Professor David Allen.

Sir, No one is going to disagree with Mr Whiteley ("ICI chief urges action," September 14) when he says the arrest of Britain's relative industrial decline demands improvements in education, infrastructure, and managerial performance. But his assertion, that the volatility of the UK stock market cannot be reconciled with long-term development, is more contentious. In sympathy with the accelerating rate of change in every other aspect of the business environment, this volatility is more likely to increase than decrease, so we must learn to live with it.

As a world class manufacturer, it would be surprising if ICI's investment strategy were not determined by its directors' perceptions of the long-term financial health of their business, which for all practical purposes is the present value of projected cash flows. Unfortunately many boards have implied that this is the same as the "market capitalisation" you publish every Monday.

The idea, that the value of a business can be extrapolated from the price which happens to bring the supply and demand for small lots of a company's shares into equilibrium, is patently absurd, yet it persists in the minds of many people. Uncomfortable as it may be, the fact is that projections of future cash flows cannot be objectively verified like accounting statements.

Boards of directors ought to do what they, subjectively, believe is right for their shareholders as a totality. This will rarely correspond with what is right for individuals who want to cease to be shareholders in the near future – or people who wish to cash in their options. They are the only ones for whom the volatility of the market is a problem.

David Allen,
Department of Management Studies,
University of Technology,
Loughborough, Leicestershire

Numbers game

From Mr Ivan K. Cohen.

Sir, Mr L.G. Hunt writes concerning "psychologically important" prices such as 2100 for the FT-SE 100 share index. (Letters, September 11).

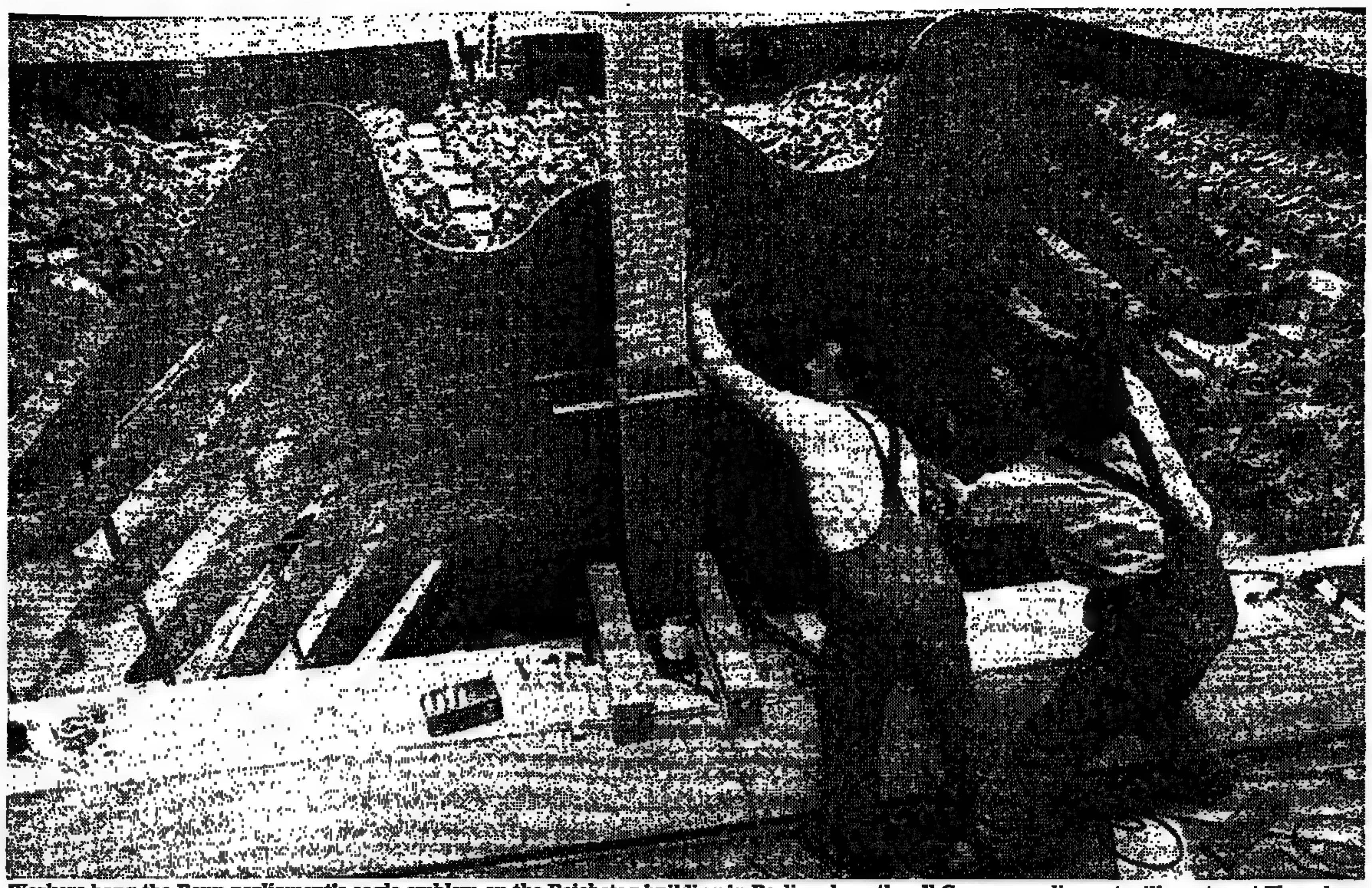
I am unaware of evidence that market behaviour per se changes when price movements cross these critical points, but it would be accurate to argue that they often induce a change in the expectations of market participants. A change in expectations on aggregate will be self-fulfilling.

Thus, if the price of a given stock rises above a critical ("psychologically important") point, it may well induce more positive expectations leading to increased demand and a further increase in the price. The reverse is true for a price fall. Because the FT-SE is an index of stock prices the same situation may occur.

Mr Hunt inquires why 2100 is so psychologically important. The answer is because market participants deem it to be so. It is decided by arbitrary consensus in the same way that it is considered unlucky to walk under a ladder. There need be no logical reason. For further rationale may I suggest that Keynes's analogy of the stock market with a beauty contest might prove enlightening!

Ivan K. Cohen
35 Firs Avenue,
Friern Barnet, N11

FINANCIAL TIMES
Thursday September 27 1990



Workers hang the Bonn parliament's eagle emblem on the Reichstag building in Berlin where the all-German parliament will meet next Thursday

BONN SHORT-TERM FORECAST:

E German economy 'will remain in decline'

By David Marsh in Bonn

THE East German economy will remain in steep decline at least for several months after German unification next week, with unemployment there possibly reaching 2m before it starts to fall, a senior Bonn official said yesterday.

Mr Otto Schlecht, state secretary in the West German Economics Ministry, said the economic slump in the East was not likely to bottom out until the first half of next year. Gross national product in the present area of East Germany is expected to fall by at least 10 per cent this year, and will drop by a similar amount in 1991, he told the Financial Times.

Mr Schlecht combined his sombre short-term forecast with strong confidence that the East German economy would pick up "once the legacy of the old (communist) system has worked through". But he added: "This will not go without pain."

The further deterioration over the next six to nine months would be the result of bankruptcies and lay-offs among East German enterprises which had so far been delayed. He suggested that it might be "good fortune" for Chancellor Helmut Kohl's government that the December 2 general elections were taking place before the worst point in the East German downturn.

Mr Schlecht is the most senior of Bonn's civil servants connected with economic policy-making. He said that political unity next Wednesday was an important precondition for bringing economic help east of the Elbe through a transfer of administrative and financial resources. "At the moment, there is chaos", he said.

The Treuhand, the government agency in charge of privatisation, was facing problems in speeding up decision-making, he said. Additionally, Mr Schlecht pointed to the lack of a functioning regional government apparatus in the five East German states or Länder, which will not be formally reconstituted until next month.

Mr Schlecht called on the Bonn government to take tough decisions on cutting back subsidies as a condition for avoiding tax increases next year. He acknowledged, however, that promised reductions in corporate taxation, earlier programmed for the start of the next legislative period, would be delayed by three or four years as a result of extra unity-related budgetary burdens.

Mr Schlecht pointed out that there was even resistance in his own ministry to reducing subsidies in sectors such as shipbuilding. Bonn is also running into considerable problems in attempts to rein back tax subsidies and grants for Berlin and the former border areas which previously suffered economically from German division.

In spite of a probable overall German public sector deficit of more than DM100bn ($63.60bn) next year, Mr Schlecht said he was "relaxed" about the risk of interest rate pressures on the capital markets.

He painted a continuing rosy picture of prospects for the West German economy. In spite of German unity, the government was likely to continue publishing economic statistics separately for East and West Germany, he said. This reflected both the difficulties in obtaining reliable statistics from the East, and the fact that an "economic split" between East and West Germany was likely to continue for several years, he said.

The whole of Germany was likely to grow at roughly 2 to 2.5 per cent next year. But in view of the east-west gap, this picture of the "German average" was not very meaningful, he said.

The West Germany economy, projected to grow at 4 per cent this year, is still likely to expand by about 3.5 per cent next year, in spite of the problems caused by the Gulf crisis, he said.

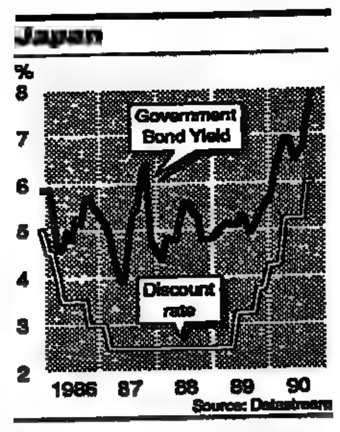
The 30 per cent fall in German share prices since Iraq's invasion of Kuwait last month had not so far affected the forecast, as economic surveys showed demand still buoyant. "This has not had any impact. We have not seen any slowdown," he said.

Mr Schlecht came out against across-the-board tax cuts for companies and high earners as a solution to East Germany's economic problems. "We must not forget that this is a revolution," he said, which was not susceptible to standard German macroeconomic policy treatment. Instead, he favoured "tailor-made" measures for areas of East Germany hit by large lay-offs. This would have to be through a combination of infrastructure programmes, regional stimulus measures and steps to boost employment.

THE LEX COLUMN

Italian retreat from Brussels

The weakness of Japan's financial markets in the face of a surprising recovery in the yen is a major conundrum. The longer it continues, the greater the suspicion that the Japanese credit squeeze is even more severe than feared. This can only be bearish for other markets.



La Générale

Wall Street has received so much finger-wagging criticism, for the takeover excesses of the late '80s that it is worth pointing out that European financiers have a spotty record too. Mr Carlo de Benedetti's piecemeal divestment of his 15 per cent stake in Société Génerale de Belgique raises the question of who or what benefited from the takeover of La Générale, watershed though it was in European corporate finance.

The Belgian economy? Possibly: La Générale's hotch-potch of holdings in cement, steel, paper and non-ferrous metals was overdue for the rationalisation begun when Groupe Suez got control in 1988. De Benedetti? Not much: SGB's share price, which was Bfr3200 at the time of the takeover, has since dropped 33 per cent. As for Suez, its management have new toys. By selling off stakes in businesses it acquired such as Victoire/Colonia, Suez rapidly assembled a European banking, insurance and real estate empire, but still kept net gearing down to 60 per cent at the end of 1989. Suez's shareholders have done less well. At FFr278, the shares are 12 per cent below their 1987 flotation price; and given signs that the French economy and the Parisian real estate market are coming off the boil fast, they still look exposed.

More broadly, many of the big recent Euro-mergers were probably not manifestations of a far-sighted planning vision of 1992 but a gamble on what seemed an irresistible rise in continental asset values. The only difference between this and the US is that Americans borrow, while Europeans use equity.

Advertising

The latest industry in the UK market's gunsights, it would appear, is advertising. WPP's shares, which fell 11 per cent yesterday, have now underperformed the market by 30 per cent since the Gulf crisis began; Saatchi & Saatchi's have underperformed by more than half. The reasoning is clear enough. There is no question that some forms of advertising, at least, are among the first casualties of recession; the Advertising Association now expects nominal growth in UK expenditure this year of only 3 per cent, after 18 per cent last year.

But it is necessary to be selective here. In the US, where spending last year rose by just under 6 per cent, this year's rise could still be nearly 5 per cent, in line with inflation. In the UK, the weight is being felt chiefly by the print media, in classified and business advertising particularly. The manufacturers of fast-moving branded goods, who make up around half of the UK's top 100 advertisers, tend to be recession-proof anyway.

It is also a little unfair to bracket WPP with Saatchi. At yesterday's 369p, WPP is on a running yield of 9.6 per cent. This seems rather overdone for a company which at the mid-year was still producing earnings growth of 10 per cent, with interest cover of more than two and dividend cover of nearly three. Given its massively negative net worth and debt of £300m, WPP would clearly be vulnerable to a really savage recession on either side of the Atlantic. But for Saatchi, whose Euroconvertible was yesterday on a redemption yield of 75 per cent, things look pretty desperate either way.

Berisford

There is something a little premature about yesterday's one-eighth rise in the Berisford share price. The official clearance of AB Foods' proposed bid for British Sugar is scarcely a surprise. More important, completion of a refinancing package for Berisford is apparently imminent. Its chief purpose is to allow Berisford, with its bankers' agreement, to wait until January and the official decision on whether Tate & Lyle is to be allowed to join the auction. It seems that Berisford's hapless shareholders, Mr Larry Goodman among them, have to sweat it out for a while yet.

Bank dividends

Big banks do not cut their dividends unless they are in deep trouble. In this respect they are no different from any major corporation. But the big difference is that a cut can send the wrong signal to the money markets, which provide most banks' daily lifeblood. If it precipitates a run on the bank the move is self-defeating and the authorities normally have to bail out the victim. At least, this used to be the theory. Judging by the sky-high yields on some bank stocks, doubt is beginning to creep in.

The shares of Standard Chartered, which fell 10 per cent yesterday, are now yielding 18 per cent. This is the highest yield seen on a major UK bank stock in the past couple of decades, and three times the market average. Even at the depths of the 1970's secondary banking crisis NatWest's shares never yielded more than 13 per cent, while the market was yielding much the same. By the time of the 1981-82 recession, Midland bank shares were yielding nearly twice the market average.

The market is right to be nervous. BankAmerica, once the world's biggest banking group, passed its dividend a few years ago with no obvious ill effect. But it was sitting on a huge retail deposit base and did not need to tap the money markets. Until last week most people thought Chase Manhattan, the second biggest US bank, would not dare to cut its dividend; but it did.

Then again, Standard Chartered's capital ratios are stronger than Chase's and it has never worried before about paying an uncovered dividend. Indeed, fears of a cut are almost certainly overdone. However, the worry for the central bankers is that the share price weakness of banks like Standard Chartered will have a knock-on effect on their ability to continue to finance themselves in the money markets. This is what financial contagion is all about.

UK orders review of air 'slots'

By Paul Betts, Aerospace Correspondent, in London

THE British government is considering abolishing some or all of its rules restricting new carriers from offering air services out of heavily congested London airports in a move to increase competition.

This emerged yesterday as the government commissioned a review of the allocation of airport take-off and landing slots to see if the existing system – which is run by the airlines themselves – can be improved at overcrowded European airports.

The initiatives coincide with controversial European Commission plans to introduce a code of conduct on take-off and landing slots to force large European carriers to hand over slots to their smaller competitors. Large and small airlines have criticised the EC proposals, warning they risked adding to the chaos at congested airports.

The UK move reflects growing concern in Whitehall that the Commission plans could put Brussels on a collision course with the airline industry and could in turn undermine British aviation interests.

Lord Brabazon, aviation minister, said the review of slot allocations had been commissioned jointly with the Civil Aviation Authority and would be conducted by SD-Scicon, a UK consultancy firm. The review would provide an important contribution to the discussions on slot regulations in Brussels.

Moscow to revise religion laws

By Quentin Peel in Moscow

THE Soviet parliament yesterday approved in principle a new law on religion and freedom of conscience, marking an end to decades of state persecution.

The law bans the state from interference in religious affairs, including the propagation of atheism, guarantees the individual a right to the religion of his choice, permits religious education and allows the differing religions to set up societies, brotherhoods, associations and other groups.

It grants ecclesiastical students the same privileges as secular ones (including deferment of conscription) and allows servicemen to worship.

However, final approval will be held up because members of the Supreme Soviet, the national parliament, failed to agree on a clause to permit religious instruction in state schools, after school hours.

On the other hand, the whole bill was approved by an overwhelming 341 votes to one, with one abstention, marking a remarkable conversion for the still largely communist party deputies. In a decisive rejection of the philosophy which has underpinned the communist state for 73 years, the deputies also voted down an amendment which would have put atheism on a par with the differing religions.

In the name of atheism, "the most important cultural monuments of the people" were destroyed, Mr Genrikh Igityan, an Armenian deputy said. The new law means that any remaining museums of atheism, created in churches in every major city, will now almost certainly be dismantled.

The new law is supposed to mark an end to official persecution of religion, which has seen thousands of clergymen killed and banished into exile since 1917, first under Lenin and later Stalin. Persecution of the church was reinvigorated under Nikita Khrushchev in the late 1950s, and only since the advent of President Mikhail Gorbachev has the process been reversed.

Over the past two years, hundreds of churches have been returned and reconsecrated.

Reform of US banking system proposed

By Peter Riddell, US Editor, in Washington

WIDE-RANGING reforms of the US banking system ending many structural and geographic restrictions have been proposed by Mr William Seidman, chairman of the Federal Deposit Insurance Corporation (FDIC).

Mr Seidman, like the Federal Reserve and the Treasury, favours regulatory changes leading to a restructuring of the banking industry linked to tighter capital requirements and reform of the deposit insurance system.

Congress is now considering proposals to give the FDIC freedom to set whatever premium payments from banks are necessary to ensure the solvency of the currently strained insurance fund.

However, Mr Seidman has warned: "We can only hold the fort if we do substantial restructuring of the industry. You can't cure this problem just by charging higher insurance premiums."

He has, however, backed limits on the FDIC's coverage for billions of dollars in pension funds held in banks.

He has urged Congress to drop significant portions of the Glass-Steagall Act, which splits investment and commercial banking; the McFadden Act, which limits inter-state branch banking; and the Banking Holding Company Act, which limits non-banking institutions from controlling banks.

The General Accounting Office, the congressional watchdog, yesterday warned that the FDIC fund was too thinly capitalised to withstand the level of bank failures in the event of recession.

A senior GAO official warned that the ratio of the fund's balance to insured deposits could decline to as low as 0.58 per cent by the end of this year, which is half the target level.

Mr Robert Glauber, the Treasury under-secretary for domestic finance, yesterday acknowledged that "adverse trends in the banking industry and the bank insurance fund are causes for concern".

US budget row threat to jobs

By Peter Riddell, US Editor, in Washington

MORE THAN 1m employees of the US federal government have been warned that they may be suspended without pay for two or three days a week from next Monday unless a breakthrough is achieved in budget deficit talks between the White House and congressional leaders.

The prospect of a partial shutdown of the US government, closures of airports at night, long air traffic delays, hold-ups in food inspection and cuts in services at federally funded veterans' hospitals led yesterday to calls to delay or ease the impact of the spending cuts mandated under the Gramm-Rudman law.

However, President George Bush has said he would veto the Democratic bill now passing through Congress, which would delay the impact of the cuts for 20 days.

As the talks continued up to 3am yesterday morning, there were signs of splits on the Republican side and hints of flexibility on the controversial issue of a cut in capital gains tax.

Congressman Bob Michel, the Republican house minority leader, has said he would be willing to drop the capital gains cut in order to secure a deficit-cutting agreement.

Mr Bush yesterday said the across-the-board cuts could be avoided and it was now up to Congress and the Democrats to come forward with a package.

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	26	79	Berlin	C	12	55	Caracas	C	28	84	Faro	F	[illegible]	[illegible]	[illegible]	C	[illegible]	55
Algiers	S	30	86	Biarritz	S	23	75	Casablanca	F	23	75	Florence	F	[illegible]	[illegible]	[illegible]	S	26	79
Amsterdam	R	12	55	Bombay	Dr	26	79	Chicago	S	12	55	Frankfurt	F	[illegible]	[illegible]	Jakarta	F	31	88
Athens	S	30	86	Bordeaux	S	22	72	Cologne	C	13	55	Geneva	S	[illegible]	[illegible]	Jersey	F	17	63
Bahrain	S	35	95	Boulogne	F	16	61	Copenhagen	C	11	52	Gibraltar	C	[illegible]	[illegible]	Johannesburg	S	23	75
Bangkok	R	30	86	Brussels	C	12	55	Corfu	S	25	77	Glasgow	S	12	[illegible]	[illegible]	C	16	61
Barcelona	S	23	75	Budapest	C	13	57	Dallas	S	17	64	Helsinki	C	[illegible]	[illegible]	Lisbon	F	25	77
Beirut	–	–	–	Buenos Aires	F	18	66	Dublin	F	15	59	Hong Kong	C	[illegible]	[illegible]	[illegible]	F	16	61
Belfast	S	12	55	Cairo	S	31	88	Dubrovnik	F	25	77	Innsbruck	F	13	57	Los Angeles	S	17	64
Belgrade	F	17	63	Cape Town	S	20	68	Edinburgh	S	12	55	Inverness	C	11	52	Luxembourg	F	13	57

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Madeira	R	[illegible]	70	Milan	F	[illegible]	63	Nicosia	S	27	82	Salzburg	F	12	54	Tenerife	S	27	81
Madrid	S	23	75	Montreal	C	12	55	Oporto	S	25	77	San Francisco	S	16	61	Tokyo	R	20	68
Majorca	F	26	79	Moscow	C	6	43	Oslo	C	8	46	Seoul	F	25	77	Toronto	F	12	55
Malaga	S	26	79	Munich	F	13	57	Paris	F	17	63	Singapore	F	27	81	Tunis	F	32	91
Malta	S	35	95	Nairobi	–	–	–	Peking	R	17	63	Stockholm	R	7	45	Valencia	S	25	77
Manchester	S	13	57	Naples	S	27	82	Prague	F	12	54	[illegible]	C	13	57	Venice	F	16	61
Manila	F	32	91	Nassau	C	[illegible]	87	Reykjavik	R	7	45	Sydney	C	21	70	Vienna	C	13	57
Melbourne	C	10	50	New Delhi	[illegible]	30	86	Rhodes	S	30	86	Taipei	C	27	82	Warsaw	C	8	46
Mexico City	C	25	77	New York	S	17	64	Rio de Janeiro	F	23	75	Tangier	S	29	84	Washington	S	13	57
Miami	S	25	77	Nice	C	21	70	[illegible]	F	25	77	Tel Aviv	F	27	82	Zurich	S	15	59

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES

COMPANIES & MARKETS

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Cerus sheds 4.4% of its La Générale stake

By George Graham in Paris and Lucy Kellaway in London

CERUS, the French holding company controlled by Mr Carlo de Benedetti, has succeeded in shedding a further 4.4 per cent of its remaining stake in Société Générale de Belgique (La Générale) through a share swap with Compagnie Financière de Suez.

It was Suez which defeated Cerus in 1988 in a bitter stock market battle to win control of La Générale, a sprawling Belgian industrial conglomerate. However the company is now helping out its embattled former rival by taking some of the La Générale shares off its hands.

Cerus said it had exchanged 3.6 per cent of La Générale for 2.1 per cent of Suez held by La Générale itself. It traded a further 0.8 per cent of La Générale for the 8.8 per cent stake held by La Générale in Cofir, Cerus's own Spanish subsidiary, and then sold these Cofir shares on to other investors for Pta3.225 each.

Cerus had already announced the sale of 1 per cent in La Générale to Deutsche Bank, and has now succeeded in cutting its stake from 15.4 to 9.96 per cent.

The La Générale stake, and the debt incurred in buying it, has weighed heavily on Cerus. Current stock market conditions, however, will make it difficult to reduce the stake any further.

"They will have trouble flogging the remaining 10 per cent, which will hang as a Sword of Damocles over their results, unless the markets all turn up again," commented one Paris stockbroker yesterday.

However, the Belgian stockmarket yesterday failed to respond positively to the news. La Générale shares, which have lost a third of their value since the beginning of August, yesterday closed another BFr15 lower at BFr2110, after having traded as low as BFr2075.

The Cerus holding has been overhanging the market since the 1988 bid battle, and analysts said yesterday that the transfer of less than 5 per cent from one large shareholder to another did not solve the underlying problem. "What the market would like to see is the whole 15 per cent sold into firm hands," one said.

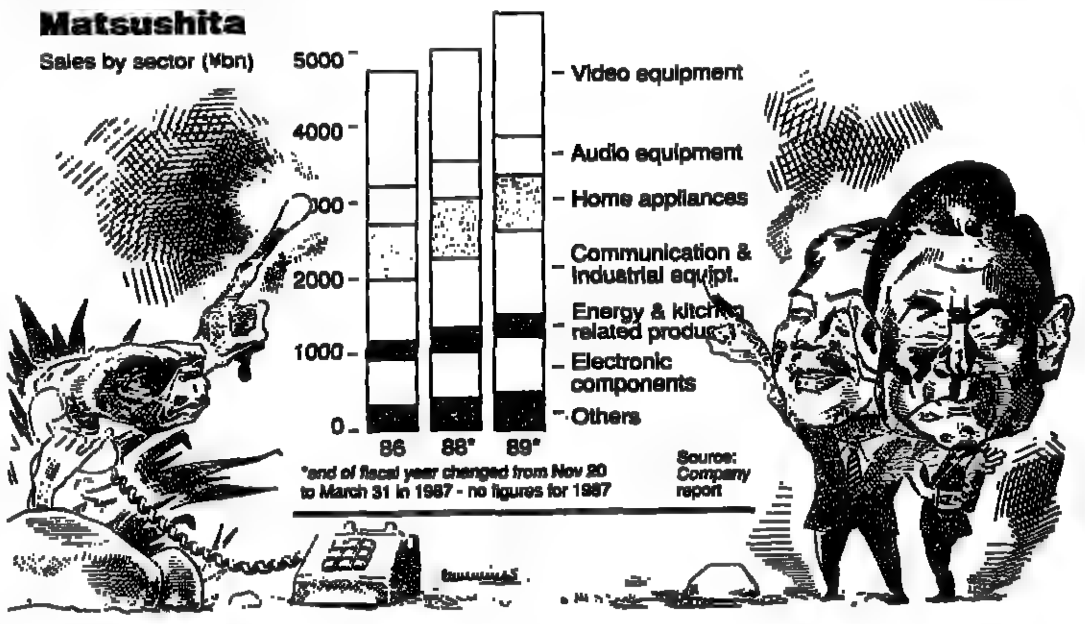
News of the swap pushed Cerus shares, which have fallen by two thirds so far this year, to the maximum upward limit on the French stock exchange. Hours later, however, they swung back to the maximum downward limit when Cerus announced its first-half results, a net profit of only FFr15m.

Cerus has changed so much in configuration, after merging with the Duménil banking group and deconsolidating its La Générale stake, that the figure cannot be compared with the FFr723m net profit it reported in the first half of 1989. Nevertheless, the modesty of the profit surprised many stockbrokers.

Cerus says the decline was unrelated to the share swap, which had a zero impact on its accounts (Cerus had already written down the book value of its 15.4 per cent stake from FFr6.2bn ($1.2bn) to FFr4.8bn on the occasion of its merger with Duménil.) They said the principal factor was the company's debt burden, which has been reduced this year but still stood at a net FFr4bn.

ET may find a new Japanese home

Stefan Wagstyl in Tokyo and **Alan Friedman** in Los Angeles report on Matsushita's possible bid for MCA



A bid for the magic of ET (left) by Akio Tanii (centre) and Masaharu Matsushita

Matsushita Electric Industrial, the Japanese electronics group, is taking three big risks in considering buying MCA, the American entertainments company.

First, it is betting that it can contain the political storm another multi-billion dollar Japanese acquisition in the US will generate in Washington. Next, it is assuming it will have the managerial skills to control a complex foreign operation. Last, it is gambling that the commercial benefits of marrying its skills in electronics hardware with MCA's entertainment software will justify a price tag of at least $7bn, twice the price Sony paid last year for Columbia Pictures.

For MCA, the calculation is more straightforward. Not only will a deal bring vast rewards to the two men who control key portions of its shares; but the company will also benefit from a partner with deep pockets at a time when the entertainment industry seems increasingly a battle of the giants.

The scale of the price being talked about – $80-90 a share, compared with the $34.50 at which MCA stock was trading at the beginning of the week – makes the risks Matsushita is taking all the more striking:

● The political risk. The attraction of MCA – its prize range of US entertainment assets – also represents the danger. The jewels in the crown include Universal Pictures, the oldest surviving Hollywood studio, which made hits such as Jaws, ET and Back to the Future. Its library of titles includes 3,000 films; it is also one of the leading television producers. Although US law would require Matsushita to sell MCA's New York area independent television station – WOR-TV – the company also owns 50 per cent of USA Network, a profitable entertainment and sports cable service.

MCA owns some of the best record labels and distribution operations in the US, including Geffen Records, acquired earlier this year and bringing with it Mr David Geffen, one of the industry's most successful creative managers.

Assets also include Puttnam, a profitable publisher; Spencer Gifts, a catalogue retailing company; the Universal Studio theme park in Hollywood; and the newly-opened $650m Florida theme park, a joint venture with the UK's Rank Organisation.

When Sony bought Columbia Pictures – a much less significant portion of the entertainment business – it was accused of "buying a part of America's soul". With the memory of that episode still vivid in Washington, the reaction to Matsushita's plans will probably be worse. Mr Toshiki Kaifu, the Japanese prime minister, could be among the first to feel the wrath when he visits the US later this week.

The first sign of political criticism came yesterday from Mr Edward Markey, the Massachusetts Democrat who chairs the telecommunications subcommittee of the House of Representatives. "When Matsushita melds its vast hardware empire with MCA's huge software library," he said, "it will be in a position to dominate the global communications market place and squeeze American companies out of key markets."

● The management risk. If Matsushita goes ahead, it will face the challenge of managing its new acquisition. MCA's record over the past decade – under Mr Lew Wasserman, its 77-year-old founder and chairman, and Mr Sidney Sheinberg, its president – has been spotty. Mr Sheinberg, 55, is a respected Hollywood veteran, but he is said to be tired of waiting to succeed Mr Wasserman.

MCA has had a reputation for being slow to spot entertainment trends and even more cautious in following them. It is currently red-faced over bad publicity at the start-up of its new theme park in Florida, which opened in the summer with several important rides not functioning properly.

The weakness of MCA's top management would pose Matsushita a difficult challenge. Preserving the essence of the company will require a delicate touch – and Matsushita has little or no experience of "people" businesses.

Sony was much better prepared to take on Columbia. With only 30 per cent of its sales in Japan, it is known as the most international of Japan's large companies. Matsushita, with Japan accounting for 56 per cent of its sales in the year to March 1990, is a much more domestically-oriented company. It opened its first US office in 1953, before Sony was formed, but did not appoint an American to head its US operations until last year. Its only foreign acquisition was the purchase earlier this year of a minority stake in a small West German television company.

However, Matsushita can bring vast resources to bear. It has a cash pile of Y1,300bn ($948bn), second only to Toyota Motor among Japanese industrial groups. Its 42,000 employees are recognised masters of mass-production and marketing.

● The strategic risk. "Matsushita the copycat" was how one Tokyo television station summed up the proposed deal. Though executives at Matsushita are probably bristling at the comment, the logic of the possible acquisition nevertheless seems to be identical to Sony's strategy. Both companies reckon that sales of consumer electronics equipment and of recorded material will become increasingly inter-related.

The advance of technology will multiply the uses of a single recording. A film, for example, could be published on video or disc, and incorporated in a computer game.

The biggest attraction of MCA to Matsushita must therefore be Universal's vast film library and the record companies. It will be less interested in the other operations, but could sell these. Aside from operating companies, MCA is sitting on about $1.1bn of cash, marketable securities and receivables plus assorted real estate and cinema chain holdings. MCA's Los Angeles property portfolio alone is estimated to be worth up to $2bn.

And a rival studio chief, who insists on anonymity, claims "there is a lot of unused leverage in MCA's assets, especially the theme parks".

Mr Jeffrey Logsdon, an entertainment analyst at Los Angeles brokers Seidler Amdec, claims that, at $7bn, the acquisition of MCA would give Matsushita a better deal than Sony got in buying Columbia Pictures and CBS records (for $2.5bn) in 1988. "Using the same criteria, Columbia is worth less than half of what Sony paid for it," he says.

The view from Tokyo is different. There is concern that Matsushita will pay too much. Mr Chuck Goto, electronics industry analyst at S G Warburg, the UK securities company, estimated that if Matsushita pays for MCA by issuing equity, then its earnings per share could fall by 16 per cent, assuming a price of $80 per MCA share and $122 per Matsushita American depositary receipt.

"That's a fairly severe decline," he said. Moreover, said Mr Goto, seen from Japan, MCA appears a well-managed company with limited potential for quick improvements in performance.

Whatever these concerns, a deal with Matsushita – or with another large suitor – would solve a number of problems for MCA. It would resolve the succession to Mr Wasserman, and simplify rumoured estate planning problems for his family.

And it would make at least two people even richer than they already are. Mr Wasserman controls 7 per cent of the company himself, and a further 12 per cent by means of a trust. Mr Geffen has a 12 per cent stake as a result of the purchase of his company. He said on Tuesday that he would certainly support MCA management if it were to accept an offer of $80-90 a share from Matsushita. Such a deal would increase the worth of Mr Geffen's MCA stake – based on his 10m shares – from $345m at the start of the week to $800m-900m.

Between them, the two men speak for over 30 per cent of MCA stock. At the end of the day, that fact may prove as important as volumes of strategic planning.

Rodamco shares plummet in reaction to policy reversal

By Ronald van de Krol in Amsterdam

SHARES in Rodamco, the Dutch property investment fund owned by the Robeco group, fell heavily on the Amsterdam bourse yesterday, as the market was able to react to Monday's news that Rodamco had suspended its 11-year-old policy of buying back its shares at net asset value.

After a two-day trading suspension, Rodamco's shares plummeted to Fl 55 ($31.10) in morning trading from Friday's close of Fl 73.30. The shares steadied in the afternoon to finish the day down 18 per cent at Fl 60.

Rodamco's fall was in line with analysts' predictions that the shares would drop by between 10 and 20 per cent when trading resumed.

More than 1m Rodamco shares changed hands yesterday, compared with a daily average of 250,000 so far this year, according to Mr Andre Mulder, an analyst at Barclays de Zoete Wedd in Amsterdam. The slight recovery in afternoon trading was attributed to limited buying by institutional investors following selling by predominantly private investors earlier.

Yesterday's trading was the first time since Rodamco's 1979 launch that the fund refused to intervene to buy back excess shares to keep its share price in line with net asset value.

Rodamco's policy reversal effectively ends the fund's former open-end character and transforms it into a closed-end fund. The fund said it had been forced to take the step after spending Fl 2.3bn on share redemptions over the past nine months alone.

Robeco, the second-largest independent fund manager in the world after Fidelity of the US, describes Rodamco as a special case because of the illiquid nature of property investment. It insists that it does not intend to make any changes to its policy of buying in the shares of its share funds Robeco and Rolinco, or its bond fund Rorento.

VIB, the third-largest Dutch property fund, which asked for trading in its shares to be suspended on Monday after Rodamco's surprise announcement, said yesterday it too was ending its policy of buying back shares at net asset value for the time being.

It said it would prefer to continue operating as an open-end fund, but added that a definitive decision would be taken later. Trading in its shares resumes tomorrow.

World Stock Markets, Back Page

Swiss cement group bids for QCL

By William Dullforce in Geneva

HOLDERBANK Financière Glaris of Switzerland, the holding company for the world's leading cement manufacturing group, yesterday announced a takeover offer for Queensland Cement (QCL), one of the three biggest Australian producers.

Holderbank said the bid emphasised the importance it attached to diversification across the Pacific Rim. The Swiss group currently owns only one company in the Philippines and one in New Zealand.

The offer, made through Holset, Holderbank's wholly-owned Australian subsidiary, values QCL at roughly A$270m ($225m). Holderbank acquired 25 per cent of QCL in 1979.

Holset is making an unconditional offer of A$3.80 per share and per convertible note to all shareholders. This compares with yesterday's share price of A$3.45 and represents a multiple of 12 times QCL's earnings for the year ended June 30, as announced yesterday.

QCL posted a net profit of A$18.6m, down 7.9 per cent from the preceding year, on a consolidated turnover of A$181.41m, which was 2.9 per cent lower.

The board recommended a dividend of 8 cents per share, bringing the year's total to 18 cents, compared with 19 cents for the previous year.

Together with its subsidiaries QCL has an annual production capacity of 1.5m tons of cement and about 30,000 tons of lime.

Earlier this year, when announcing the consolidation of its North American interests under Holman, a US holding company, the Swiss group said it had become the largest cement producer in North America.

It listed 18 plants with an annual production capacity of some 13m tons.

Holderbank's annual report for 1989 stated that it held 31 per cent, or 11.4m tons, of its annual worldwide production capacity in Europe. This did not include capacity of 2.4m tons in its home country, Switzerland.

The group has also been expanding in Latin America, where it last reported a production capacity of 9.46m tons. More recently, it took shares in three Hungarian cement plants and announced that it was looking at possibilities in Poland.

Consolidated net earnings in 1989 reached SFr429m ($330m), up by 21.4 per cent, and were realised on a worldwide turnover of SFr4.97bn.

Lafarge Coppée results, Page 18

INSIDE

WPP share price falls in nervous market

Shares in WPP Group, the world's largest communications company headed by Martin Sorrell (left), fell sharply yesterday as a nervous stock market took its toll. Over the past two days, the value of WPP's shares has been reduced by almost 17 per cent. Concern about the level of WPP's debt – estimated at about £300m ($558m) by the current year end – is behind the recent falls, says Alice Rawsthorn. Page 24

Trust in reform

Five years of wrangling over financial services reform in Canada will find some relief today as long-awaited legislation is tabled in parliament. The bill is the first of several pieces of draft legislation aimed at redefining the functions and ownership rules of Canadian financial institutions. Canada's trust and loan companies are expected to be given virtually the same powers as banks. Page 22

Conti breaks merger mould

In Germany, mergers are agreed – things are done behind closed doors. But the bid for Continental, the German tyre group, by Italy's Pirelli has changed all that. Horst Urban (left), the pugnacious head of Conti, has claimed that the takeover is hostile and the battle is hotting up. Conti, he says, is not against co-operation with Pirelli, but it intends to hold out against the Italian group's merger terms. Page 21

Evered advances 29%

Good news for Evered, the British and US quarry products group. Pre-tax profits rose by 29 per cent, while turnover grew by 31 per cent in the first half. Analysts were cautious about the future, however, fearing that the UK and US markets were getting worse. Page 24

Will of iron wins for LKAB

It is a success story that any company might envy. The turnround at LKAB, Sweden's state-owned iron ore mining company and western Europe's only major producer, has been so complete that even a partial privatisation is seen as a distinct possibility, despite fears of a recession. "I believe in steel," says Wiking Sjöstrand, LKAB's president. "The 1990s will be good for the industry." Page 32

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Daimler-Benz	598	+	18
Deutsche Bk.	601	+	17
Herlitz	300	+	[illegible]
Ind. Werke	277	+	19
Lufthansa	690	+	[illegible]
Falls			
Sud-Chemie	580	–	20
NEW YORK ($)			
Rises			
[illegible]	61½	+	7½
Falls			
AT & T	31½	–	⅜
Chase Man	11¼	–	⅜
Tandy	11	–	⅞
UnionFed Fin	2½	–	2¼
Walt Disney	90½	–	⅜
PARIS (FFr)			
Rises			
BIC	625	+	17
Cetelem	[illegible]	+	19
L'Oreal	443	+	15
Printemps	487	+	[illegible]
Falls			
Fonciere Lyon	605	–	37
Total-Pet.	687	–	22
TOKYO (Yen)			
Rises			
Anritsu	1460	+	230
Fuji Heavy	580	+	86
Makita Elect.	[illegible]	+	240
Nissan Const.	[illegible]	+	200
[illegible]	414	+	100
Tokyo Electron	2650	+	[illegible]
LONDON (Pence)			
Rises			
Berisfordint.	36	+	4
Burmah	484	+	[illegible]
Sus.Tech.Grp.	86	+	9
ECC	312	+	9
Etam	83	+	7
Geest	256	+	11
Gowrings	40	+	[illegible]
Norcros	90	+	7
Nrthmbrn.Wtr.	244	+	9
Renishaw	265	+	21
Trafalgar Hse.	199	+	9
Wembley	89	+	6
Williams Hdg.	188	+	5
Falls			
Amersham Int.	298	–	10
Havelock Eur.	114	–	8
600 Grp.	51	–	18
Spirax-Sarco	201	–	9
Std. Chartered	259	–	30
Tiphook	324	–	19
Unigate	287	–	7
[illegible]	359	–	46
Wld of Leather	32	–	7

INTERNATIONAL COMPANIES AND FINANCE

Thomson-CSF declines by 29% at halfway stage

By William Dawkins in Paris

THOMSON-CSF, the French state-controlled electronics group, yesterday reported a 29 per cent drop in group net profits for the first half of 1990 and repeated earlier warnings that full-year net earnings would be down.

The result underlines the continued pressure on defence spending and comes after a fall in profits for 1989 that brought a five-year run of rising profits to an end. Thomson-CSF expects the Gulf crisis to be the main factor behind an underlying decline in sales for the full year.

Turnover rose 19 per cent to FFr17.35bn ($3.3bn), from FFr14.54bn in the first six months of last year, helped by the first contribution from the defence activities of Philips, the Dutch electronics group, taken over by Thomson in January. Stripping those out, the underlying sales increase comes down to slightly less than 3 per cent, said Thomson-CSF.

Group net profits fell from FFr1.49bn to FFr1.06bn, due to a lower contribution from companies in which Thomson-CSF holds minority stakes and a higher tax charge.

The contribution from minorities fell from FFr890m to FFr525m, while the tax charge climbed from FFr232m to FFr373m over the same period.

But at the operating level, earnings rose by 37 per cent from FFr725m to FFr996m, representing a small rise in operating margins from 5.2 per cent of sales to 5.7 per cent.

In the year to last December, Thomson-CSF recorded a decline in net profits to FFr2.63bn from FFr2.96bn in 1988, citing lower profits from financial operations and sluggish defence sales as the main factors.

CGE books 21% rise midway

COMPAGNIE Générale d'Electricité, the French electrical, engineering and telecommunications group, yesterday announced a 21 per cent rise in net attributable profit for the first half of 1990, to FFr1.92bn ($362m) from FFr1.59bn a year earlier, writes Our Financial Staff.

The 1989 figure excluded a FFr1bn capital gain made when CGE combined its Alsthom unit with the power engineering activities of Britain's General Electric Company at the beginning of 1989. The creation of the 50-50 company GEC-Alsthom also gave rise to a change in accounting policy. CGE's first-half turnover rose to FFr68.5bn from FFr67.17bn.

The company said it expected its earnings for the whole of 1990 to rise at about the same rate as the 17 per cent growth it reported for the first half. In a letter to shareholders Mr Pierre Suard, chairman, said CGE would not be significantly affected by the Gulf crisis. He also said the recent fall in CGE's share price on the Paris bourse was unjustified. "We don't consider that the current price reflects in any way CGE's good health," he said.

CGE's shares ended FFr10 higher at FFr470. Its high for 1990 was FFr658.

A. P. Moller forecasts fall

By Hilary Barnes in Copenhagen

PROFITS at A. P. Moller, the Danish shipping, oil and gas group will be "quite a bit under" the 1989 results, according to interim statements from the group's two parent companies, D/S 1912 and D/S Svendborg.

APM operates about 150 vessels as well as about 50 mobile drilling rigs, while its production of oil and gas from the Danish sector of the North Sea is equivalent to about 85 per cent of Denmark's oil requirement.

Improved profits from oil and gas will be limited this year, as most sales are sold and priced forward, said the statement.

The interim reports gave no figures for sales or profits.

Belgian banks lay down conditions for FN rescue

By Lucy Kellaway in Brussels

A CONSORTIUM of Belgian banks is ready to come to the assistance of Fabrique Nationale Herstal, the near-bankrupt Belgian munitions company – but only if other shareholders, unions and management are equally prepared to do their bit to save the company.

The banks also want to see an industrial partner join FN to give it strength.

The banks have agreed to put BFr2.14bn ($66m) towards the BFr13bn that needs to be found before Friday's emergency board meeting. This compares with some BFr3bn that they had been asked to put up under a plan drawn up during the summer.

Société Générale de Belgique, which owns 76 per cent of the company, said the apparent willingness by the bank to contribute was "just a brick in the wall".

Reaching an overall agreement on Friday still seemed a difficult and distant prospect and would rely on further contributions of money, as well some 1,200 job cuts.

La Générale, which has already had to bear the lion's share of a rescue plan some 20 months ago, said yesterday that although it would help it could not be expected to carry the burden alone.

The survival of FN is seen as important not just because it is in the sensitive munitions business, but because it provides jobs in the depressed region around Liège.

Italy gets Enimont initiative under way

By John Wyles in Rome

THE ITALIAN government yesterday launched the procedure which could lead to Mr Raul Gardini's Ferruzzi-Montedison taking majority control of Enimont, the joint venture which all year has been at the centre of a battle for managerial control with Eni, the state energy company.

However, there remained last night sufficient ambiguities around the decision of an inter-ministerial committee to leave uncertainties about whether the government means to allow the full privatisation of Enimont.

Its decision could yet prompt Montedison to refuse to purchase Eni's 40 per cent stake in Enimont at a price yet to be determined. If it does refuse, the state company will purchase Montedison's equivalent stake at the same price.

Mr Adolfo Battaglia, industry minister, walked out of yesterday's meeting after reading the draft decision and his request for an adjournment had been refused. Sources close to the minister said last night that, even though the final text had been amended, it was still designed to deter Mr Gardini from buying.

It was still unclear last night whether the government was adding conditions to a change in Enimont's ownership to those it issued earlier this month.

Then, ministers said that Enimont must remain under Italian control, that previous interministerial committee decisions on the state chemical industry must be respected and that the original business plan agreed between Montedison and Eni a year ago would be the one to be followed. These conditions have been accepted in principle by Mr Gardini.

Although Mr Franco Piga, the minister for state shareholdings, said yesterday that no new conditions had been added, he said that one of them was that the company must remain "unitary".

If this means that none of its assets could be sold then Montedison would regard it as a new and unacceptable condition.

ASX lays down law to oust Bond

Kevin Brown reports on the demise of the Australian entrepreneur

MR ALAN BOND, who yesterday resigned from the board of Bond Corporation Holdings, made his original offer to quit at a meeting of holders of convertible bonds in London in July, in an attempt to persuade them to allow the proposed sale of Bond Corporation's breweries subsidiary to proceed. A further meeting of bondholders is to be held in London today to reconsider the proposed sale.

However, Mr Bond appears to have been forced to act by the Australian Stock Exchange (ASX), which is understood to have demanded his resignation and of two other directors as the price for allowing Bond Corporation to retain its listing.

Delisting could have threatened the legality of the proposed sale of Bond Brewing Holdings – producer of Swan, Castlemaine XXXX and Tooheys lager – for A$1.85bn (US$1.5bn) to Bell Resources and Lion Nathan of New Zealand.

The sale is Bond Corporation's only way of repaying an A$880m debt to a syndicate of banks led by National Australia Bank (NAB), which had threatened to put the group in liquidation if it was not repaid by September 30. That deadline is understood to have been extended to October 31 after talks between creditors, NAB and Bond Corporation.

Peter Lucas: new chairman of Bond Corporation

Alan Bond: retains technical control

Mr Bond retains technical control of Bond Corporation through Dallhold, a private family company which owns 58 per cent of the group. But he has given undertakings to creditors' representatives that Dallhold will limit its voting rights to 25 per cent of Bond Corporation stock.

Any attempt by Mr Bond to exercise control of Bond Corporation through Dallhold would be likely to trigger the delisting of the company by the ASX, or moves by the banks or other creditors to put the group into liquidation.

Mr Peter Lucas, who was appointed chairman yesterday, will now continue talks with two groups of bondholders aimed at securing a scheme of arrangement for the reconstruction of the company. The bondholders are understood to be seeking a debt-for-equity swap giving them about 90 per cent of Bond Corporation stock.

Agreement on the details of the scheme of arrangement is likely to take time, and will have to be approved by the Western Australian courts and the ASX.

The bondholders' groups will then seek to take direct control of Bond Corporation's board, and will try to recover some of their investment by liquidating the group's remaining assets.

Analysts say the bondholders could recover between 10 cents and 20 cents in the dollar, but that would require a series of restructurings of the companies in which Bond Corporation holds shares, some of which are themselves in difficulty.

After the breweries sale is completed, Bond Corporation's assets will consist of a majority holding in G. Heileman, the troubled US brewer, and smaller stakes in Bell Resources and Bell Group, both in Australia, and British Satellite Broadcasting and Airship Industries in the UK. Airship called in the receiver two weeks ago.

Mr Bond, a high school drop-out, set up Bond Corporation in Perth in 1969 to exploit a land and property boom sweeping Western Australia. At its height, the group controlled four major breweries, several gold mines, a television network, huge property interests in half a dozen countries, a couple of oil companies and a daily newspaper, not to mention a private island, a university and the Chilean telephone network. Most have been sold to pay debts, many for less than Mr Bond paid for them.

The group nearly went bankrupt several times before Mr Bond finally over-reached himself in 1988 by building a hostile stake in Lonrho, the London-based international trading house. A report commissioned by Mr Tiny Rowland, Lonrho's managing director, convinced Bond Corporation's bankers that the group was insolvent.

Mr Bond retains some Australian property assets, a mansion in Perth and a yacht.

Lafarge up despite weak dollar

By George Graham in Paris

LAFARGE Coppée, the leading French cement group, has reported stable first-half earnings despite a slowdown in the Canadian market and the negative impact of the weak dollar on its biochemicals activities.

The group, which last year became the number two cement maker in the world when it took control of Cementia in Switzerland and Asland in Spain, said yesterday that net profits rose 2 per cent to FFr1bn ($191m).

Sales totalled FFr15.7bn, up 15 per cent from the first half of 1989 or an increase of 5 per cent if adjusted for changes in group structure and in exchange rates.

Lafarge said last year's acquisitions had made a positive contribution to earnings, after financing costs, and the group's overall net profit margin rose to 9.8 per cent, compared with 9.2 per cent in the same period of 1989.

Activity remained strong in the French market, too, particularly in cement and new materials, but the Canadian construction market suffered from the effect of high interest rates.

Cement producers are, however, now more optimistic for the future because of the recent announcement of the huge Hibernia oil development, which is expected to consume large quantities of cement.

Biochemicals also suffered, principally from the impact of the falling dollar on the price of lysine, the animal feed additive produced by its subsidiary Orsan.

Lafarge said group cash flow advanced by 18 per cent to FFr1.96bn, while net debt was reduced by FFr200m to FFr6.4bn, giving a debt:equity ratio of 0.29.

Mr Jacques Lefèvre, group managing director, said he was encouraged by the positive contribution of the new acquisitions, coupled with the controlled debt level. Some European markets, such as Spain, remained strong, he added.

KM-Kabelmetal stake to be sold

MAN, the West German engineering group, said yesterday it was to sell its 76.91 per cent ownership of KM-Kabelmetal, the copper products producer, to Italy's Societa Mettallurgica Italia, a holding company, for DM551.7m ($351m), AP-DJ reports.

The Italian company is controlled by Mr Luigi Orlando, the Italian industrialist. The sale completes talks disclosed earlier this year.

MAN said it would receive DM265.70 per share for its stock in Osnabrück-based KM-Kabelmetal.

KM-Kabelmetal is listed in Frankfurt, where the shares yesterday closed down DM1 at DM211.

INTERNATIONAL COMPANIES AND FINANCE

Marriott to delay start of work on new hotels

By Martin Dickson in New York

MARRIOTT, the large US hotel group, underlined the glut in the hotels market and concern about a US recession when it announced it would be delaying the start of construction of most of its new hotels.

The company said it would cut its capital expenditure to some $650m in 1991, compared with $1.3bn in 1990 and preliminary plans to spend just less than $1bn next year.

Marriott produced high earnings growth through the 1980s due to an aggressive programme of building hotels, which it then usually sold to investors at a profit, while retaining a management contract.

The delay, which the company expects to last 12 to 18 months, will not affect hotels on which it has already started construction, but will hit others in the pipeline.

Mr William Shaw, the chief financial officer, said this would provide the company with "an extra margin of flexibility in the present uncertain financial, real estate and lodging market."

The announcement came a day after Marriott's shares were battered when Standard & Poor's, the rating agency, said it was placing some of the company's debt under review "with negative implications."

Mr Shaw, expressing disappointed with S&P's action, said Marriott had financial flexibility as well as strong, stable cash flow and had already sold assets worth $900m in 1990.

Smith Corona in computer deal with Taiwanese group

By Martin Dickson in New York

SMITH Corona, the US typewriter manufacturer which has been hit hard by fierce Asian competition in the US market, announced yesterday it was joining forces with Acer of Taiwan to enter the personal computer market.

Smith Corona, 48 per cent-owned by Hanson of the UK, is the world's largest manufacturer of portable electronic typewriters, while Acer is Taiwan's largest producer of personal computers. Independently, Acer has announced plans to establish a European manufacturing presence.

The two companies said they had spent the past year developing new personal computer products specifically designed for the consumer, home office and small business markets and had now formed a 50:50 joint venture to manufacture and market them.

The machines will be built at Smith Corona's plant at Cortland, New York state. They will be available in the first quarter of next year and will operate with standard MS-DOS applications software.

US investors have been disenchanted with Smith Corona ever since Hanson sold a majority of the company in a public offering at $21 a share in July 1989.

Smith Corona's profits and stock price dropped sharply not long afterwards. The company blamed its performance on price-cutting in the US typewriter market by Asian competitors.

Stock market reaction to yesterday's announcement was mixed, with the shares first edging up but then dropping $¼ to $3⅞ at lunchtime on the New York Stock Exchange.

Smith Corona manufactures personal word processors and its move into computers is a logical extension of its range when many analysts say the two products are increasingly overlapping, both in terms of price and ease of use.

The personal computer market is extremely crowded but Smith Corona is pinning its hopes on making its models particularly user-friendly.

Mr Lee Thompson, the chairman, said yesterday that in both price and features the products "will be more than competitive with any product on the market today."

Citibank sheds 100 buy-out staff

By Janet Bush in New York

CITIBANK confirmed yesterday that it would lay off about 100 employees in its leveraged lending business in a move which reflects the persistent slump in leveraged buy-outs.

The job cuts in the Leveraged Capital Division are expected within the next two weeks.

The majority of the 450-strong operation will be transferred, along with their clients, to other areas of the bank.

The slimming of its commitment to leveraged financings is part of a searching strategic review within the bank which is expected to continue until the middle of next year and which it is hoped will cut annual expenses by $250m to $300m.

Citibank continues to maintain that it has no target for job cuts and distances itself from speculation that, at the end of its review, it will have cut staff in its wholesale banking division by 1,000.

A bank representative said that 53 "activity centres" had been asked to report to senior management after critical reviews of their areas.

About two weeks ago, the bank cut the matched book area in investment banking and last June slimmed down its commitment to municipal bond underwriting.

● In a separate development, Meridian Bancorp, a Pennsylvania bank, announced that it was increasing its loan loss reserves by $75m and would report a net loss in the third quarter of about $35m to $38m, primarily reflecting this move.

The bank said that it had taken this action because of continued weakening in a number of significant loans in its commercial and real estate loan portfolios.

In addition, Meridian said that it was selling its title insurance operations and a credit card portfolio valued at about $300m and securitising another $300m of vehicle loan receivables.

Epéda poised to be sector leader

By William Dawkins in Paris

EPEDA-Bertrand Faure, the diversified French car seat maker, is about to become the world's largest in its sector, thanks to an acquisition in West Germany and a joint venture in Canada.

The group is paying an undisclosed amount for a controlling stake in Rentrop, Germany's second largest maker of car seats, and expects to double its sales to FFr3.4bn ($649m) next year, said Mr Pierre Richier, the French company's chairman. Rentrop has 3,000 staff and reported sales of DM530m ($340m) last year.

At the same time, the French group is joining forces with Woodbridge, the Canadian components group, to make car seats for General Motors and Chrysler.

Epéda is planning to merge Rentrop with its German subsidiary, Schmitz, and keep a 70 per cent stake in the new grouping, with the rest in the hands of European institutional investors.

Mr Richier had good hopes of getting clearance for the German deal from the Bundeskartellamt anti-trust office.

Epéda, which also makes Mérinos beds and Delsey luggage, revealed a 21 per cent rise in group net profits, to FFr151.8m for the first half of the year, on turnover up 5.8 per cent to FFr4.73bn.

Mr Richier was planning to continue reducing the group's debts, which stand at FFr3.6bn.

Yesterday's accords follow orders from Citroën for seats for the replacement of the Visa hatchback at Aulnay-sur-Bois near Paris, and from Honda, to supply its plant in Swindon, UK.

In both cases Epéda plans to build a seat factory near its customer, to comply with increasingly tight delivery schedules.

Pan Am in talks over shuttle sale

AMERICA WEST Airlines, an Arizona-based airline which has grown rapidly since its 1983 launch, has confirmed it is discussing the purchase of Pan Am's shuttle, which flies between Boston, New York and Washington, writes Karen Zagor.

Pan Am, which bought the shuttle for $76m in 1986, put the shuttle up for sale in May.

Pan Am, which has been plagued by cash-flow problems, said recently it hoped to conclude a deal to sell the shuttle by the end of the year.

America West also said it was in talks to acquire a large number of Airbus A320 aircraft.

Chip licensing agreement balanced on a knife-edge

Louise Kehoe on the Intel/AMD legal wrangle

A decision is expected soon in one of the most bitter disputes in the history of the semiconductor industry.

Intel and Advanced Micro Devices, two of Silicon Valley's largest micro-chip makers, have, for the last four years, been locked in a battle over product licensing rights. An arbitrator is due to rule in the case within the next few days.

At stake are the rights to manufacture Intel's latest microprocessors, the chips used to power most personal computers. Intel has a near-monopoly in the market for these devices, with sales of its prized 386 microprocessor expected to top $1bn this year.

In the past, Intel licensed other chip makers, including AMD, to produce its microprocessors. When it launched the 386 four years ago, however, it refused to grant second-source licences to anyone except International Business Machines, which can manufacture the chip for its use.

AMD claims that it won the right to current and future Intel microprocessors under the terms of an extensive 1982 product swap pact in which the two companies agreed to exchange products of equivalent value.

Intel cancelled the 10-year agreement in 1987, however, claiming that AMD had failed to come up with suitable products to exchange for its microprocessors. AMD responded with a claim for $1bn in damages against Intel.

It has been three years since arbitration began. Over that period, Intel has strengthened its hold on the microprocessor market while AMD has seen its microprocessor sales dwindle.

The arbitrator is now expected to rule on AMD's claim that Intel failed to live up to the terms of the licensing agreement. He has issued a preliminary decision indicating that Intel breached its "implied covenant" with AMD by failing to negotiate reasonably with the company over the specifications for a product that AMD wanted to exchange for the 386.

While AMD has much to gain, Intel does not appear to be threatened because it holds a commanding lead in the microprocessor market

Still to be determined, however, is the extent of the liability of both parties. AMD is hoping that in a subsequent determination of damages it will be awarded the right to manufacture the Intel 386.

Even if AMD does not win its claim to the 386 product licence, the company is determined to expand its microprocessor sales. Although AMD officials decline to comment directly, they do not deny reports that the company will soon launch a reverse-engineered "clone" of the Intel microprocessor.

In a separate, but related, dispute with Intel, AMD is claiming that a 1976 patent licensing agreement between two companies gave it the right to use Intel's microcode, the software instructions embedded in microprocessor chips.

This week AMD filed a motion seeking an immediate judgment on the microcode dispute. The action relates to another Intel product, but if AMD is successful would apply equally to the 386 and subsequent Intel microprocessors.

Thus even if AMD loses in the case under arbitration, it would still have the option of creating a version of the 386 and using Intel's microcode.

A third, though less attractive, option for AMD would be to attempt to create its own Intel-compatible microcode. This would, however, be a lengthy and expensive process that would give Intel plenty of time to move ahead of its would-be competitor. Intel is expected to introduce soon a new version of the 386 chip integrating several functions currently implemented on peripheral chips.

While AMD has much to gain from its legal wranglings, Intel does not appear to be seriously threatened because it holds a commanding lead in the microprocessor market.

Intel is expected to continue to fiercely defend its intellectual property rights and to appeal any decisions that go against it in its disputes with AMD. The biggest challenge to Intel may come not from AMD, however, but from other semiconductor manufacturers that may be tempted to join AMD in cloning Intel microprocessors.

INTERNATIONAL COMPANIES AND FINANCE

Tyre producers on course for collision

Andrew Fisher and **Katharine Campbell** on the Pirelli drive to link with Continental

By German standards, it was unheard of. There sat the chief executive of a big industrial company, publicly rattling off arguments as to why the company should not be taken over and calling the approach hostile.

These things do not happen in Germany, where the corporate world is hard for outsiders to penetrate, especially those companies protected by a network of like-minded bank and institutional shareholders.

However, Continental, which held a press conference on Monday to put its case against Italy's Pirelli, is not one of those companies which can operate behind a fence of supportive shareholders.

Thus Pirelli has been able to acquire a 5 per cent stake for itself, and obtain the backing of other, unspecified, investors, to bring its influence on the German company – number four in the world tyre market to Pirelli's number five – to just over 50 per cent.

But Continental does have one defence – its 5 per cent voting rights restriction. This is an obvious hindrance to a full-scale bid. So instead, Pirelli has proposed a combination of both companies' tyre interests on terms which Continental says would load the company with debt and weaken its finances. It remains to be seen whether Pirelli can get round the voting curb. It clearly hopes its shareholder backing will sway developments in its favour. It could call for a shareholders' meeting and have the restriction voted down, but having said its approach was friendly, it may not want to be so provocative.

In Britain or the US, the takeover – friendly or hostile – is accepted as a normal way of expanding or restructuring businesses. In Germany, this is not the case. The way is to do things behind closed doors.

"Until now, mergers and takeovers in Germany have only been done in a friendly way between companies," says Mr Werner Wanke, a partner at Metzler, the private Frankfurt bank. This will change, he feels, as pressures in global businesses increase and trading borders in the EC are opened up. "In Germany, we are still in the infancy stage as far as mergers are concerned."

There has only been one takeover in Germany involving hostile elements. Stora, the big Swedish pulp and paper group, bought control of Feldmühle Nobel, the German engineering and forest products group, this summer after the Flick brothers, Friedrich-Christian and Gert-Rudolf, tried unsuccessfully to shake up the management of the former family company.

In the latest takeover tussle, the next move is clearly up to Pirelli, Mr Horst Urban, the pugnacious head of Continental, made clear on Monday where the battle lines had been drawn. Continental was not against co-operation with Pirelli, but it did intend to hold out against Pirelli's merger terms.

Horst Urban: pugnacious head of Continental

Leopoldo Pirelli: head of the family group

He said: "We are completely open and positive about such an alliance, but we will not let ourselves be dictated to by Mr Pirelli." He was referring to Mr Leopoldo Pirelli, the family head of the company. This was a change from Mr Urban's previous insistence on the German company staying independent. It showed that Continental had been forced to accept the likelihood of some kind of outside link. While every German industrialist dislikes the 1980s bid surge, there is an increasing acceptance that strategically sound restructuring moves will become more common.

A steady troupe of foreign investment bankers setting up in the German market could make this a self-fulfilling prophecy – one of a number of pressures whittling away the legal and cultural obstacles to corporate shake-ups.

Also, shifting attitudes at Deutsche Bank, which owns 5 per cent of Continental and has for years provided the head of its supervisory board, are an indication – and a product – of the changing landscape. The ambitions of Germany's biggest financial institution as a securities house with global reach may sometimes be at odds with its influence at home, but these conflicts are also catalysts for change.

Not long ago, contested takeovers were dismissed by Deutsche as "aberrations of capitalism". Now, it has brought in Anglo-Saxon investment banking expertise to Continental in the form of Morgan Grenfell of the UK, one of the more aggressive M&A advisers and now part of Deutsche.

Another significant shift in attitude is that Deutsche was the leading proponent of voting curbs in the 1970s to ward off unwelcome foreign approaches. This year, it admitted that the measure was an anachronism, but said Germany's lax disclosure requirements – at least until EC guidelines were implemented – made it necessary.

For Deutsche, the changing world is awkward – not least because the Morgan Grenfell relationship will, given the German bank's extensive European involvements, now mean that the "Chinese Walls" between the two operations will have to be scrupulously preserved.

If Deutsche Bank were seen to be encouraging Pirelli's logic in the face of a less than enthusiastic Continental board, the outside world would detect that the German corporate fortress was cracking.

Strong advance by Jardine Strategic

By Angus Foster in Hong Kong

JARDINE Strategic Holdings, the holding company within the Jardine Matheson group, yesterday announced a 56 per cent increase in earnings per share at the interim stage.

The group now reports in US dollars. Earnings per share rose to 17.48 cents compared with 11.24 cents.

It recorded profits after tax and outside interests of $104.3m in the six months to the end of June. The figure compares with an adjusted $68.7m.

It is raising the interim dividend on its ordinary shares by 22 per cent to 1.41 cents. Dividends on preference shares are unchanged at 1.92 cents.

Four S African banks begin merger talks

By Philip Gawith in Johannesburg

FOUR leading South African financial institutions – Allied, United (UBS), Sage and Volkskas – have started talks about merging into a diversified financial services group.

A merger would create the country's largest financial services group with assets of more than R40bn ($16bn) and after-tax earnings in the region of R400m, according to recent figures.

The driving force behind the talks is probably the Rembrandt group, which has 10 per cent stakes in UBS Holdings, 30 per cent in Volkskas and 27.8 per cent in Sage. There are also cross-holdings between Sage and Allied, and between the United Group and Volkskas.

The announcement does not come as a surprise. It is common knowledge that the sector is overbanked and rationalisation inevitable.

Three factors would appear to have fuelled the talks.

First, a loss of patience by Rembrandt with long-running merger talks between Volkskas and United.

Second, worries about the financial health of Sage, exacerbated by a fractious joint working arrangement between Sage and Allied.

Third, changes concerning limits on shareholdings under the new Deposit-Taking Institutions Act, expected to come into effect early next year.

Current limits on shareholding by any single institution in a bank or building society (30 per cent and 10 per cent respectively) are to be replaced by giving the Reserve Bank discretion over shareholdings up to a limit of 49 per cent. This would ease rationalisation.

Markets have anticipated such activity, with the Johannesburg Stock Exchange banking index outperforming the overall index. At 2,717 on Monday, the overall index was nearly 700 points off its high for the year and touching lows. The banking index, by comparison, at 1,678 was considerably above its year low of 1,339.

Rationalisation between United, Volkskas and Sage would appear to be inevitable. Volkskas is an undercapitalised, Afrikaner-niche bank with poor growth prospects and would benefit from a merger with the well-capitalised United.

With United's main expertise in home loans, there would be little overlap. The Volkskas merchant banking arm could be integrated into the more dynamic Rand Merchant Bank in which Rembrandt has a stake.

Analysts reckon that Sage's life interests could be put into Momentum Life, the other insurance group in which Rembrandt has a large stake, while its property unit trust could be put into United.

The wild card is Allied. A merger involving United and Allied would involve extensive problems of duplication. Allied also has a good home loans book and computer system, which would make it attractive to a group such as Stanbic, the country's largest banking player, which is interested in expanding its home loans portfolio.

Mainzeal depressed by reverse in NZ property market

By Terry Hall in Wellington

MAINZEAL, the New Zealand building and property group, yesterday reported a NZ$37.54m (US$23m) loss after write-downs of goodwill and property values in the year to June 30.

The result reflects the sharp downturn in the property market where many new buildings are untenanted and on the market at a fraction of construction cost.

Mr John Roy Acting, managing director, said the company was taking a conservative position by writing off goodwill of NZ$13.44m and writing down property values by NZ$25.2m.

The total deficit compared with a NZ$17.99m profit the previous year and included equity losses of NZ$2.78m.

The after-tax trading surplus was NZ$8.88m compared with NZ$24.19m in 1989 on income of NZ$321.29m against NZ$282.07m. Mr Roy said: "A low level of interest from buyers and the increasing amount of property under the control of lenders, receivers and statutory managers as a result of receiverships and liquidations, has led to a continuation of the downturn in property prices."

The board will not sell properties at fire-sale values.

Total assets fell to NZ$212m from NZ$262m during the year and proceeds for the sale of Mainzeal's interest in The National Bank, were received shortly after balance date. This had led to the virtual elimination of debt other than convertible notes due for repayment in late 1992.

INTERNATIONAL CAPITAL MARKETS

Treasuries improve after good demand at auction

By Janet Bush in New York and Deborah Hargreaves in London

US TREASURY bonds ended marginally higher in spite of higher oil prices after good demand at yesterday's auction of four-year notes.

In late trading, short-dated maturities were unchanged to ⅛ point up and the Treasury's benchmark long bond stood ⅛ point higher for a yield of 9.12 per cent.

The bond market is tending to track crude oil prices very closely.

Prices were higher overseas because oil was lower but then dipped back reflecting a gain in the November futures contract of $1.14 to $38.67 a barrel.

This was balanced by good demand at the four-year sale after a reasonable two-year auction on Tuesday.

US durable goods orders for August were released, showing a fall of 0.8 per cent. This was a smaller decline than the market had expected and contributed to the erosion of price gains in overseas trading.

Treasury bills were higher during morning trading on perceptions that tension in the Gulf has worsened.

■ THE Japanese Ministry of Finance surprised the government bond market yesterday when it auctioned Y600bn of 10-year bonds as part of its regular monthly auction.

The MoF brought a smaller tranche of bonds to market than usual – the standard auction involves Y700bn-Y800bn – and offered a coupon of 7.9 per cent, much higher than the market had been expecting. Market expectations had centred on a coupon level of 7.7 to 7.8 per cent.

The MoF's move highlights its sensitivity to the weakness in the bond market and its eagerness to find acceptance for a change in the auction method which took place this month. The ministry has increased the amount of bonds it offers by auction and has reduced the number allocated through a bank syndicate.

This month's auction has offered 60 per cent of the bonds by auction and 40 per cent through the syndicate as part of a move towards a full auction system.

Since the higher coupon will attract some good interest from institutional investors, the auction is expected to go well in spite of earlier gloomy predictions by some traders.

The Japanese bond market was steadier yesterday in spite of a 5 per cent drop in the equity market. The yield on the key 119 bond held at 8.70 per cent as dealers were looking for some consolidation in the market.

■ IN THE UK, gilt-edged securities drifted downward in a quiet market after Mr John Major, the UK chancellor, commented on the UK inflation rate at the International Monetary fund meeting in Washington. The market interpreted Mr Major's comments that the inflation rate was pretty close to a peak, as an indication that the peak was yet to come and that the inflation rate would go higher in coming months.

This saw a drop of ¾ of a point from the benchmark 11¾ per cent gilt maturing in 2003/07. This issue was offering a yield of 11.9 per cent.

■ THE WEST German bond market traded lethargically as prices in the cash market remained little changed. With the average yield on West German government paper at 9.20 per cent – its highest level for eight years – the market has been deserted by both buyers and sellers.

GOVERNMENT BONDS

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	08/92	101-12	-7/32	12.69	12.52	12.53
		9.000	03/00	83-24	-21/32	11.91	11.81	11.99
		9.000	10/08	82-19	-23/32	11.27	11.16	11.39
US TREASURY *		8.750	08/00	98-14	+5/32	8.98	8.92	8.98
		8.750	08/20	96-03	+5/32	9.13	9.06	9.09
JAPAN	No 119	4.800	6/99	80.6409	-0.177	8.70	8.52	8.34
	No 130	6.700	06/00	91.7298	-0.247	8.23	8.09	7.98
GERMANY		8.500	08/00	96.0700	-0.070	9.12	9.02	8.99
FRANCE	BTAN	9.000	11/95	94.3498	+0.224	10.48	10.33	10.45
	OAT	8.500	03/00	87.4800	+0.240	10.64	10.48	10.39
CANADA *		10.500	07/00	94.4500	-0.100	11.45	10.98	10.98
NETHERLANDS		9.000	07/00	98.1500	-0.130	9.29	9.20	9.14
AUSTRALIA		13.000	07/00	96.1795	-0.051	13.71	13.57	13.71

London closing, *denotes New York closing
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Swedish bank plans to reshape global operation

SVENSKA Handelsbanken, one of Sweden's leading commercial banks, plans to restructure its foreign operations with the creation of a new international regional bank alongside its existing network of eight regional profit centres inside Sweden, Robert Taylor writes from Stockholm.

The new profit centre will be called Svenska Handelsbanken International and will have an initial annual turnover of SKr50bn ($8.66bn).

Its purpose is to facilitate the bank's further international expansion plans during the 1990s, especially in the Nordic region.

The new regional bank will have its headquarters in Stockholm, and combines the existing bank's disparate foreign activities except for those in London which remain the responsibility of a separate subsidiary.

At present the bank has 25 separate offices operating across the world. In May Handelsbanken acquired the Oslo Handelsbank in Norway.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on September 26

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	99¾	99¾		9.12
ALBERTA PROVINCE 9 3/8 95	600	100¼	100⅝	-⅛	9.30
AUSTRIA 8 1/2 00	400	92⅝	93		9.72
BANK OF TOKYO 8 3/8 96	100	94⅜	94⅞		9.72
BELGIUM 9 1/8 92	400	100⅛	101		8.76
BFCE 7 3/4 97	150	91⅛	92⅛		9.50
BNP 8 5/8 94	300	98¼	98⅞		9.17
BP CAPITAL 9 5/8 93	150	100⅛	101⅛	+⅛	9.20
CANADA 9 96	1000	99⅛	99⅛	-⅛	9.13
CARCO 9 1/4 96	650	98	98⅛		9.70
CCCE 9 1/4 95	300	100	100⅛		9.22
COUNCIL EUROPE 8 96	100	93¾	94⅛		9.40
CREDIT FONCIER 9 1/2 99	300	98⅛	99		9.71
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
COUNCIL EUROPE 7 94 LFr	600	91⅛	92⅛	-⅛	10.09
KREDIETCORP 7 93 LFr	1000	92⅞	93⅛		9.96
WORLD BANK 8 96 LFr	1000	92⅛	93⅛		9.72
AMRO BANK 6 1/4 92 Fl	150	94⅝	95⅛		9.48
RABOBANK 5 3/4 93 Fl	150	92	92⅛		9.56
ALBERTA PROVINCE 10 92 C$	500	96⅛	97⅛	-⅛	11.97
BCE INC 9 5/8 93 C$	300	93⅛	94⅛		12.47
BELL CANADA 10 5/8 99 C$	150	90⅛	90⅞	-⅛	12.47
BRITISH COLUMBIA 9 1/4 93 C$	150	93⅛	94⅛	-⅛	12.37
EIB 10 1/8 98 C$	130	90⅛	90⅞	-⅛	12.16
FORD CREDIT CANADA 10 94 C$	100	92⅛	93⅛	-⅛	12.45
GENERAL ELECT CAP 10 1/4 93 C$	175	95⅛	95⅛	-⅛	12.22
MONTREAL TRUSTCO 8 1/2 92 C$	100	93⅛	94⅛		13.24
[illegible]					

Bill may alter powers of Canadian loan groups

By Bernard Simon in Toronto

CANADA'S trust and loan companies are expected to be given very similar powers as banks in long-awaited financial services legislation to be tabled in parliament in Ottawa today.

The Bill, which is the first of several pieces of draft legislation aimed at redefining the functions and ownership rules of Canadian financial institutions, is likely to expand the trusts' commercial lending powers and allow them to own insurance companies.

Although details of the government's proposals will not be released until later today, the president of the Trust Companies Association of Canada, Mr John Evans, said the Bill would transform the country's 70 trusts into institutions "very closely akin to banks."

The trust industry currently has corporate assets totalling about C$110bn (US$96bn), with another C$160bn in estates, trusts and other funds under management.

Many of the trusts, notably the two biggest, Canada Trust and Royal Trust, have diversified beyond their core businesses of residential mortgage lending and fiduciary services, such as administration of estates and trust funds. Through extensive branch networks, they offer a wide range of deposits, as well as consumer loans, credit cards and numerous other quasi-banking services.

The legislation is likely to maintain one significant distinction between trusts and banks by setting a ceiling of 65 per cent on a controlling shareholder's ownership of a large trust company.

Individual shareholdings in banks are limited to 10 per cent, a rule which the banks sought to have extended to the trusts.

The ceiling would specifically affect Canada Trust, which is 98 per cent-owned by the Montreal-based tobacco group Imasco, in turn controlled by BAT Industries of the UK.

Tighter rules on conflicts of interest, self-dealing and other corporate governance issues are also likely to be included in the trust and loan companies Bill as a means of limiting the scope for abuse by owners outside the financial services industry.

Legislation covering banks, insurance companies and credit unions will follow later.

However, a discussion paper on the banks, expected to be released today, may propose they be allowed to acquire insurance companies.

The new Bills are the culmination of five years of wrangling over financial services reform. Several earlier proposals were shelved as the government struggled to steer a way between the conflicting interests.

But, all the country's leading financial institutions have recently urged the finance department to give highest priority to ending the uncertainty which has pervaded the financial services industry. Several trust companies earlier this year threatened to shift from federal jurisdiction to the more accommodating jurisdiction of Quebec.

Salomon sets up low-risk currency fund

By Deborah Hargreaves

SALOMON Brothers has announced the creation of a low-risk currency fund based on the spread between currencies inside the European Monetary System.

The fund is the first development by Salomon's newly created asset management department in London and has so far attracted investment of some $500m. The fund's creators are looking to garner a further $200m to $300m of investment capital over the next few months.

Mr Vilas Gadkari, one of the directors of the asset management group, said the product was attracting investors who would typically shy away from most currency funds.

The fund pays a guaranteed return of 100 basis points over the London interbank offered rate each year. It offers a low risk since it is not leveraged but can give a high return on its investment in the spread between the high and low-yielding currencies within the EMS.

Mr Gadkari maintains that the EMS offers a less risky investment as governments approach European Monetary Union.

The fund makes its currency investment in forward-rate agreements while keeping a base portfolio in dollars. The dollar portfolio is kept mainly in short-term mortgage instruments which carry an AA rating.

INTERNATIONAL CAPITAL MARKETS

Swiss issue syndicate ends after 40 years

By William Dullforce in Geneva

THE THREE big Swiss banks decided yesterday to dissolve on December 31 the issuing syndicate which has dominated the Swiss bond market for the past 40 years.

Their move, taken under pressure from the government and the Cartel Commission, is seen as a further step in the liberalisation of Swiss financial markets. It should also widen the opportunities for foreign banks in Switzerland to participate in the underwriting of Swiss franc bond issues for foreign borrowers.

However, Union Bank of Switzerland, Swiss Bank Corporation and Crédit Suisse stressed in a joint communiqué issued in Zurich that they would continue collectively to underwrite new issues and would maintain their co-operation.

From January 1 they will put together syndicates on an ad hoc basis. Their syndicate underwrote 77 per cent of Swiss franc bonds issued in the first eight months of this year.

The decision to dissolve their syndicate was "a necessary consequence" of the Swiss government's order on September 10 that the "loyalty" clause be removed from the syndicate's rules, the three banks said.

The clause prevents members of the Big Bank syndicate from participating in deals launched by non-syndicate banks. The Cartel Commission had found the clause contrary to free competition.

In the big banks' view they could not discard the "loyalty" clause and leave in force other syndicate rules obliging the lead manager to invite all other syndicate members as underwriters and entitling each member to participate in all issues.

There was no alternative but to dissolve the syndicate. The banks also abandoned the idea of appealing to the Federal Tribunal (supreme court).

UBS, SBC and Crédit Suisse said they would consider participating in new Swiss franc issues lead-managed by foreign banks provided the foreigners' home countries offered Swiss banks "full legal and practical reciprocity". Under present circumstances this condition would exclude Japanese banks.

CS First Boston commercial paper credit rating confirmed

By Janet Bush in New York

CS FIRST Boston has had the credit ratings on its commercial paper confirmed by Standard & Poor's, the US rating agency, which cited a credible plan by the securities firm to reduce its bridge loan exposure.

Mr Archibald Cox, the newly installed chief executive of First Boston, the Wall Street subsidiary of CS First Boston, said yesterday he believed that the bridge loan problem would be solved by the end of this year and that the firm was still working on its plans.

He declined to comment on how the firm proposed to offload the loans. One possibility is that First Boston could package the loans as securities and attempt to sell them in the private placement market.

It is believed that the plan will include all its bridge loans except a $257m loan to Federated Department Stores, the retailer bought by Campeau of Canada which is now in bankruptcy.

Because of the inhospitable conditions in the junk bond market, companies have been turning to the private placement market to restructure bridge loans. Investors tend to be more sophisticated and issues can be tailor-made for them.

CS First Boston has been carrying about $1.1bn in bridge loans on its balance sheet for at least a year, unable to convert what should be temporary loans into permanent financing in the junk bond market.

Euro-Spain fund may buy back its shares

By Deborah Hargreaves

MERRILL Lynch announced yesterday that its Euro-Spain fund was investigating the possibility of buying back shares in the fund in a bid to boost performance.

The shares in the fund have been trading at a significant discount to net asset value since investor interest in country funds dried up earlier this year.

If the fund's directors buy back funds, the decision could set a precedent for other funds whose shares are trading at deep discounts to new asset value.

The Euro-Spain fund was launched in February at the end of a surge in interest in country funds and when many funds were trading at considerable premiums to their net asset values.

At its launch, the fund had a net asset value of $9.40, but its share price had tumbled to $6.25 on Monday against its current net asset value of $8.45.

Mr Jeffrey Burton at Guernsey International Fund Managers, which manages the fund, said he was working with lawyers to investigate the possibility of buying back shares and was in the process of contacting investors to explain the position.

A share buy-back has not been staged by a fund before.

The market for country funds has plunged partly on the back of this year's fall in the value of the Tokyo stock market which has seen many Japanese investors pull out of their overseas holdings and partly due to investors' disaffection with some country funds that are trading in the US.

At one stage this year, the Spain fund listed in the US was trading at a premium of 100 per cent to net asset value, amid rumours of aggressive selling and share price rigging.

Merrill Lynch's Euro-Spain fund is listed in Amsterdam.

● Citicorp Investment Bank and Citibank have launched an issue of 100m warrants on the Paris bourse CAC-40 share index.

Brokers face 70% capital rise under EC plan

By Richard Waters

THE European Commission's proposed Capital Adequacy Directive for investment firms could still force London securities houses to raise their capital by as much as 70 per cent, despite amendments made earlier this year to ease the potential burden.

Mr John Redwood, the UK's under secretary for corporate and consumer affairs, said yesterday that investment firms would suffer if the rules on illiquid assets – which a firm must deduct when calculating its capital for regulatory purposes – were introduced in their current form.

However, he said he was confident that the illiquid assets test would be relaxed during negotiations this autumn. No other member states are understood to object to a relaxation.

The current definition of illiquid assets in the draft includes secured loans to customers which are part of a firm's normal business; dividends and interest receivable; all types of fees and prepayments; and tax certificates and tax refunds.

These exclusions are too harsh, said Mr Redwood, speaking on the publication of a consultative document in the UK on the proposed EC directive. Figures calculated by five unnamed London securities houses had shown that firms' capital requirements would rise by 70 per cent as a result of the EC draft, he said.

Should the illiquid assets test be amended, as proposed by the UK, London firms still claim that they would need to raise their capital by about 10 per cent to meet the EC rules, which are due to come into force on 1 January 1993.

This implies that members' firms of London's International Stock Exchange would need to raise an additional £400m of capital, at current levels – with devastating results on their profitability when too much capital is already committed to the securities markets for scant return.

The Department of Trade and Industry said it hoped, in negotiations, to remove this additional requirement and make the EC rules no more onerous than those in the UK. It is broadly happy with the EC's proposed rules on position risk and counterparty risk, but believes these can be improved in matters of detail.

The DTI is also campaigning to remove the requirement which would force small investment advisers to meet minimum capital requirements. At the moment, the 5,000 independent intermediaries in the UK who advise on and arrange investments need to prove capital of just £1.

John Redwood: firms may suffer under current plan

Under the EC's proposals, this would rise to Ecu 50,000 (£35,000).

Mr Redwood said that the rule imposed an unnecessary barrier to entry to small investment advisers, although he offered little hope of the UK winning the argument at this stage. Existing firms are excused the initial capital rule under a "grandfathering" provision, although they could find themselves subjected to it if they reorganised their capital structures or their ownership.

EC Capital Adequacy Directive: A Consultative Document. Available from Carol Scott, Financial Services Division, DTI, 10-18 Victoria Street, London SW1H 0NN.

ABB taps into Australian sector for A$100m

By Simon London

TWO contrasting Australian dollar issues yesterday tested the strength of demand in the sector against a background of almost universal weakness elsewhere.

Redemptions of Australian dollar bonds amounting to A$700m in the next month are likely to spur demand, notably among retail investors in Germany and the Benelux countries.

Early in the day Asea Brown Boveri, the Swedish-Swiss engineering group, launched a A$100m issue of five-year paper through Deutsche Bank Capital Markets.

The issue was ABB's first in the sector, having previously tapped Swiss franc, yen and Ecu sectors.

With a coupon of 13¾ per cent and an issue price of 101.4, for a yield of 13.92 per cent. The issue was aimed primarily at the buoyant retail market but was the first new issue to yield below 14 per cent and the lead manager reported the paper trading at less 2 bid, a discount equivalent to full fees.

Later in the day the World Bank launched another A$100m, five-year issue, with Hambros as lead manager. With a coupon of 13½ per cent and an issue price of 101.15, the triple-A rated issue yields 13.71 per cent – a differential of 20 basis points under the double-A rated ABB issue. The lead manager said that buying was weighted towards institutional investors, many of which are restricted to only the highest rated borrowers. The bonds were trading at less 1¾ bid, just inside full fees of 1⅞.

The longer term outlook for the sector remains good, with a further A$8.4bn of redemptions scheduled for 1991.

However, this year only about 50 per cent of redemptions have been recycled back into the sector despite a trend of falling interest rates.

Two more four-year dollar equity linked deals from Japanese companies followed Tuesday's issue by Shimano Industrial. Yesterday Niigata Engineering launched a $150m deal through Yamaichi International, and Nippon Columbia made a $100m issue through Nomura International.

The Niigata issue includes a feature which enables the issuer to re-fix the exercise price downwards after two years, if it is higher than the underlying equity price. Issued at par, the deal was trading at 98½ bid, inside full fees of 2¼.

The Nippon Columbia deal fared slightly better, trading at 99 bid, also inside full fees of 2¼.

The Nikkei Index fell by more than 1,000 points overnight on Wednesday in Tokyo, following a 400-point fall on Tuesday.

However, new warrant issues remain a better option than existing deals, many of which now offer an unattractive conversion premium to the underlying equity.

● The coupon on the $100m, four-year, equity warrant Eurobond for Nippon Columbia has been indicated at 5⅛ per cent, lead manager Nomura International said, Reuter reports.

Payment date is October 12, and fees total 2¼ per cent.

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Niigata Eng.Co.‡(e)	150	5	100	1994	2¼/1½	Yamaichi Int.(Europe)
Nippon Columbia Co.Ltd.♦	100	(5⅛)	100	1994	2¼/1½	Nomura Int.
AUSTRALIAN DOLLARS						
ABB Finance Inc.♦(a)	100	13¾	101.40	1995	2/1¼	Deutsche Bk.Cap.Mkts.
World Bank♦	100	13½	101.15	1995	1⅞/1¼	Hambros
D-MARKS						
Nippon Zeon Co.‡(a)	160	5¼	100	1994	2¼/1½	Deutsche Bank
SWISS FRANCS						
Eurofima♦	150	7⅛	100½	2002	-	SBC
Sintokogio Ltd§(b)	80	4¾	100	1995	2/1⅞	Bank Leu
EIB♦(c)	150	7¼	100¾	2001	-	UBS
FRENCH FRANCS						
CCF♦(d)	800	13½	100.775	1992	1	CCF

♦Final terms. ‡With equity warrants. §Convertible. a)Non-callable. b)Non-callable. Put option 31/3/93 at 110¼ to yield 8.514. c)Call option after 9 years at 100¾%. d)One coupon payment on maturity giving total repayment of 113.50%. e)Exercise price can be revised downwards after 2 yrs if higher than equity price.

East Germany issues further debt securities

By Katharine Campbell in Frankfurt

JUST a week before the two Germanys unite, another flood of debt securities have been issued by East Germany.

Staatsbank Berlin, the former central bank, announced two further tranches of floating rate notes totalling DM8bn, while the East German government said it was today auctioning another round of zero coupon notes, or U-Schätze.

The Staatsbank has now launched a total of DM38bn of paper since the beginning of August in the process of refinancing its balance sheet. This has been necessitated by savings and co-operative banks as well as corporations transferring liquid balances – previously held compulsorily at the old central bank – to the West German banking system. These vast quantities of paper have been absorbed in the belief that it is a recycling operation, rather than new money creation. Investors are comforted by the assurance that Bonn assumes liability for the paper from October 3. Another attraction is the eligibility of the notes for the Lombard and repurchase agreement facilities, which help domestic banks in their money market operations.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed Sep 26 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Tue Sep 25 Index No.	Mon Sep 24 Index No.	Fri Sep 21 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (195)	673.98	+1.3	16.52	6.94	7.42	29.40	665.34	658.43	669.07	971.03
2	Building Materials (26)	850.66	+2.6	17.32	7.13	7.10	34.59	829.48	820.29	826.41	1164.92
3	Contracting, Construction (36)	1011.75	+1.7	21.89	7.88	5.97	50.99	994.71	993.11	1020.20	1574.60
4	Electricals (10)	1813.26	.....	15.51	7.36	7.89	73.06	1812.59	1805.83	1828.08	2886.75
5	Electronics (27)	1507.71	.....	10.88	5.33	12.49	56.74	1507.85	1486.79	1513.08	2138.58
6	Engineering-Aerospace (8)	410.10	+1.5	16.41	5.87	7.32	15.17	404.09	399.79	409.54	0.00
7	Engineering-General (46)	363.60	+0.4	16.56	7.15	7.26	15.76	362.26	363.21	368.14	0.00
8	Metals and Metal Forming (6)	388.81	+0.6	29.69	8.65	4.10	17.02	386.56	384.09	390.23	509.46
9	Motors (13)	268.49	+1.1	19.03	8.84	6.11	14.26	265.52	260.41	263.91	374.06
10	Other Industrial Materials (23)	1150.28	+2.1	14.97	7.11	7.72	56.53	1126.52	1109.40	1127.90	1764.68
21	CONSUMER GROUP (177)	1132.79	+0.5	10.95	4.56	11.28	29.31	1126.92	1121.42	1137.12	1341.66
22	Brewers and Distillers (22)	1385.19	+0.2	11.31	4.26	10.71	33.47	1382.10	1370.10	1388.47	1482.34
25	Food Manufacturing (19)	973.38	+1.1	11.94	5.02	10.33	24.61	962.53	959.38	977.00	1172.59
26	Food Retailing (16)	2243.22	+0.7	10.63	3.72	11.98	50.82	2227.01	2245.36	2260.34	2578.27
27	Health and Household (16)	2326.73	+0.3	7.64	3.20	15.54	47.38	2319.01	2293.95	2342.54	2551.49
29	Leisure (32)	1124.53	-0.2	13.31	5.55	9.09	36.79	1127.11	1117.43	1117.99	1771.28
31	Packaging & Paper (12)	478.92	+0.5	13.44	7.27	9.14	22.54	476.55	477.24	482.48	600.16
32	Publishing & Printing (16)	2862.53	-0.2	12.71	6.55	9.86	118.55	2868.52	2878.17	2915.27	3781.25
34	Stores (33)	730.05	+1.2	12.19	5.19	10.66	18.26	721.57	718.44	728.45	854.05
35	Textiles (11)	393.21	+0.6	15.32	9.17	8.26	19.76	391.00	388.59	394.15	570.93
40	OTHER GROUPS (108)	936.98	+0.2	13.59	6.37	8.90	31.51	935.24	932.53	951.33	1193.43
41	Agencies (16)	1054.29	.....	10.27	3.75	11.93	22.00	1054.32	1051.28	1090.10	1566.08
42	Chemicals (24)	958.00	+0.4	13.86	6.95	8.52	46.23	954.41	940.57	964.04	1285.27
43	Conglomerates (15)	1268.27	+0.8	13.34	7.91	9.02	35.71	1257.98	1236.56	1256.03	1680.87
44	Transport (14)	1763.71	-0.1	13.71	5.94	9.24	65.20	1764.78	1780.92	1819.28	2389.49
46	Telephone Networks(2)	1017.41	-0.6	13.16	5.54	9.89	26.09	1023.32	1033.97	1056.09	1161.41
47	Water(10)	1949.91	+0.8	15.01	6.95	7.11	68.12	1935.31	1922.37	1946.34	0.00
48	Miscellaneous (27)	1452.52	+0.4	14.49	6.24	7.92	61.39	1446.55	1445.37	1467.09	1971.70
49	INDUSTRIAL GROUP (480)	961.45	+0.6	13.00	5.64	9.42	30.96	955.80	950.55	966.10	1220.68
51	Oil & Gas (20)	2348.62	-1.8	10.63	5.33	12.31	84.75	2392.02	2432.70	2459.67	2202.18
59	500 SHARE INDEX (500)	1074.11	+0.2	12.61	5.59	9.80	35.28	1072.12	1070.29	1086.83	1303.98
61	FINANCIAL GROUP (107)	631.46	+0.1	-	7.52	-	31.27	630.90	621.68	633.97	807.84
62	Banks (9)	657.43	-1.1	24.86	8.74	5.27	41.50	664.57	650.43	655.98	825.32
65	Insurance (Life) (7)	1251.93	+0.3	-	6.13	-	54.97	1247.57	1233.20	1276.01	1210.16
66	Insurance (Composite) (6)	538.09	+0.2	-	7.89	-	27.35	536.76	526.46	542.90	660.61
67	Insurance (Brokers) (8)	782.38	+2.2	11.45	8.26	11.42	40.46	765.26	757.70	772.61	982.56
68	Merchant Banks (7)	324.35	+0.7	-	6.31	-	12.31	322.21	319.38	326.72	397.74
69	Property (47)	852.63	+1.8	8.92	5.76	14.86	24.52	837.71	834.72	853.90	1340.18
70	Other Financial (23)	235.59	+0.2	11.52	7.50	11.41	10.30	235.20	234.78	237.42	364.78
71	Investment Trusts (66)	968.25	-0.3	-	4.08	-	24.36	971.05	974.15	988.98	1257.78
91	Overseas Traders (5)	1109.29	+0.8	12.98	8.31	9.17	59.65	1100.82	1079.53	1112.32	1422.87
99	ALL-SHARE INDEX (678)	966.97	+0.2	-	5.83	-	33.89	965.39	962.09	977.59	1103.48

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Sep 25	Sep 24	Sep 21	Sep 20	Sep 19	Year ago
FT-SE 100 SHARE INDEX‡	2000.0	+0.8	2015.8	1998.5	1999.2	1990.3	2025.5	2016.9	2065.8	2331.2

FIXED INTEREST

	PRICE INDICES	Wed Sep 26	Day's change %	Tue Sep 25	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	115.97	-0.13	116.12	-	9.49
2	5-15 years	119.95	-0.46	120.51	-	10.03
3	Over 15 years	120.11	-0.70	120.96	-	9.84
4	Irredeemables	139.66	+0.05	139.59	-	8.85
5	All stocks	120.47	-0.37	120.91	-	9.93
	Index-Linked					
6	Up to 5 years	151.85	-0.10	152.00	-	2.46
7	Over 5 years	137.61	-0.40	138.17	-	3.12
8	All stocks	138.57	-0.38	139.10	-	3.06
9	Debentures & Loans	99.54	+0.07	99.47	-	8.93
10	Preference	72.21	-0.18	72.34	-	5.23

	AVERAGE GROSS REDEMPTION YIELDS		Wed Sep 26	Tue Sep 25	Year ago (approx.)
	British Government				
1	Low	5 years	11.11	11.05	10.11
2	Coupons	15 years	11.11	11.04	9.56
3		25 years	11.11	11.04	9.43
4	Medium	5 years	12.19	12.10	11.10
5	Coupons	15 years	11.64	11.55	9.97
6		25 years	11.34	11.27	9.56
7	High	5 years	12.28	12.10	11.20
8	Coupons	15 years	11.92	11.83	10.17
9		25 years	11.66	11.50	9.70
10	Irredeemables†		11.14	11.15	9.47
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	4.63	4.57	3.34
12	Inflation rate 5%	Over 5 yrs.	4.36	4.32	3.60
13	Inflation rate 10%	Up to 5 yrs.	3.42	3.36	2.51
14	Inflation rate 10%	Over 5 yrs.	4.17	4.14	3.43
15	Debs &	5 years	14.24	14.21	13.18
16	Loans	15 years	12.99	12.99	12.03
17		25 years	12.69	12.69	11.47
18	Preference†		13.08	13.06	10.43

‡Opening index 2004.9; 9 am 2007.5; 10 am 1999.0; 11 am 2003.6; Noon 2009.8; 1 pm 2013.0; 2 pm 2013.7; 3 pm 2012.1; 4 pm 2003.0; 4.10 pm 2002.5; (a) 2.27pm (b) 9.49am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p. Constituent changes: Deletion: Fitch Lovell (25). Addition: The Manchester Ship Canal Co. (44).

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	1	73	19
Corporations, Dominion and Foreign Bonds	0	5	17
Industrials	368	306	887
Financial and Properties	168	185	386
Oils	21	32	37
Plantations	0	1	9
Mines	34	34	89
Others	89	48	98
Totals	681	684	1,544

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+or-	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
-	F.P.	-	131	100	ABI Leisure 10p	100		R4.7	3.3	6.3	6.5
-	F.P.	-	7½	4	Bennett & Fountain Wts.	6½		-	-	-	-
-	F.P.	-	49	33	Exp Co of Louisiana Wts.	35	-2	-	-	-	-
2	F.P.	-	4	3	Fiskon Group 1p	3½		-	-	-	-
-	F.P.	-	14	6	Fisher (Albert) Warrants	7		-	-	-	-
†	F.P.	-	75	45	Golden Vale Ir1p	44	-2	u0.158%	5.1	3.4	8.0
-	F.P.	-	24	20	JF Fledgeling Jap. Wts.Lc.	20	-2	-	-	-	-
100	F.P.	-	98	76	Jupiter Euro Inv Trust	7½	-1	-	-	-	-
-	F.P.	-	38	23	Do. Warrants	23		-	-	-	-
§108	F.P.	-	116	101	‡Lovercrest 5p	101		R4.05	2.4	5.3	8.1
-	F.P.	-	44	14	Lucas Inds. Warrants	17½	+½	-	-	-	-
-	F.P.	-	22	20	‡MBI 1p	22		f1.0	2.4	6.1	8.5
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price £	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

TRADITIONAL OPTIONS

● First Dealings Sept. 17
● Last Dealings Sept. 28
● Last Declarations Dec. 27
● For settlement Jan. 7

London Share Service

Calls: Brent Walker, Geers Gross, Kelt Energy, Richmond Oil & Gas, Tusker Res., Union Square. Put: Brent Walker. Put & Call: Speyhawk.

For rate indications see end of London Share Service

LONDON TRADED OPTIONS

The closing FT-SE index level in the underlying equity market – on a psychological cliff edge of 2,000 – summed up the "which way?" nervousness of the derivative markets yesterday.

The Liffe saw buying in the morning and selling in the afternoon while the London Traded Options Market (LTOM) experienced patchy two-way business.

The September FT-SE Future managed to narrow its discount to estimated fair value against the equity index on early trading as the stock market edged up and the futures followed.

Hopes were pinned on a good performance by Wall Street but when the Dow fell in the afternoon London was dragged down and the discount gap moved to 10 points as selling picked up.

Finally, it rallied to a discount of six, closing at 1,996 with a turnover of 7,908.

The December FT-SE Future, which has been trading at about 20 points below its estimated fair value squeezed up briefly towards parity but dropped back again to close 2,035 with a turnover of 4,946.

The LTOM, which saw a total turnover of 32,405 contracts – down on the previous day – suffered from a cautious wait-and-see attitude, bellicose Gulf rumours and a lack of liquidity.

The FT-SE index option dominated business with a volume of 11,594 (9,014 puts and 2,580 calls). BZW carried out the principal deal selling 1,000 September calls in technical trading.

UBS Phillips & Drew made a large combination trade of 1,000 lots in Land Securities, the biggest UK property company, betting on shares falling or rising by less than 14 per cent by January. The final turnover was 3,472.

BP saw reasonable trade (1,396 contracts) as the shares fell again in the equity market. Trusthouse Forte was busy in advance of today's results announcement (1,271 lots), Prudential was active (1,215) and British Airways joined the top five equity option performers after a client with long-term confidence bought 1,000 April calls.

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Allied Lyons (*433)	420	23	41	57	6½	19	22
	460	5	21	36	30	37	40
	500	3	9	21	69	70	70
ASDA (*112)	100	15	19	-	1	2½	-
	110	6	13	17	4½	7½	10
	120	2½	8½	12	9	14	15
Trafalgar (*189)	160	33	38	40	2	7	10
	180	14	25	28	8	17	22
	200	5	13	19	18	27	32
Utd. Biscuits (*316)	300	18	33	39	5	11	15
	330	3½	16	23	24	28	31
	360	1½	5	12	52	53	55
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
Abbey Nat. (*200)	200	15	21	23	8	14	14
	220	7	10	14	21	24	26
Amstrad (*48)	50	5	7	9½	7	8	9½
	60	2	4	6½	15	15½	18
Barclays (*307)	300	28	38	45	13	22	25
	330	14	27	28	29	37	38
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT-SE INDEX (*2000)

[illegible]

UK COMPANY NEWS

Acquisitive Evered rises to £20m

By Jane Fuller

EVERED, the acquisitive British and US quarry products group, raised pre-tax profit by 29 per cent from £15.8m to £20.4m in the first half of 1990.

Turnover grew by 31 per cent to £117.4m (£89.5m). However, because of share issues – notably a 3-for-10 rights issue to raise £68m last autumn – earnings per share declined to 5.7p (6.4p).

Comparisons with last year's first half are complicated by acquisitions, including February's £110m purchase of Civil and Marine Holdings, and by last summer's disposal of the polymers business as the group completed its switch away from being a mini-conglomerate.

In the UK, quarry product sales increased to £67.7m (£46.1m) and operating profit rose by 61 per cent to £12.9m (£8m).

Mr Roy Kettle, chief executive, said the group, which is only 15 per cent dependent on UK house sales, had benefited from its bias towards Scotland and the north of England. The former had continued buoyant, but the latter had started to slow.

Priority was being given to protecting margins. "We are prepared to reduce volume to maintain the selling price." Cuts had included brickworks and quarry closures.

Mr John Ford, finance director, said Civil and Marine, which dredges in the North Sea and the Channel, gave the group an entrée to the Continent. An agreement had been reached to supply sand and gravel to the Netherlands following environmental pressure against river dredging.

In the US, sales more than doubled to £44.7m (£22m), while operating profit advanced by 64 per cent to £8.2m (£5m).

Mr Mike Wallis, managing director, said the growth included the Millville acquisition, a large limestone quarry in West Virginia, and the fruits of investment in a Maryland quarry.

The second half would also include Super Concrete, a ready mix concrete and aggregates business. In a full year more than 50 per cent of profit would come from the US.

Roy Kettle: benefited from bias towards Scotland

Interest charges rose by £1m to £3.3m. Borrowings of about £150m (in dollars) would give gearing approaching 60 per cent at the end of the year.

The interim dividend goes up to 1.935p (1.8p).

● COMMENT

Analysts were divided about whether their greatest concern was Evered's UK or US markets, but they agreed that both were getting worse. The company reckons that it has been quick to batten down the hatches, but its last sizeable acquisition was as recent as May and capital spending this year is set to nearly double to £25m. On the positive side, it is working hard to rationalise its rapidly accumulated operations and the business is strongly cash generative. A full-year pre-tax profit forecast of £45m (£39m) gives a prospective multiple of 7.2 on yesterday's closing price of 88p, up 5p. Earnings per share continue to be dented by paper issues and a rising tax rate. Although the share price may not have much further to fall, better bets in the sector are the ones like RMC with strength on the Continent and stronger balance sheets.

Hogg earnings rise pegged to 2%

By Andrew Hill

HOGG GROUP, the acquisitive insurance broker, increased profits by 8 per cent in the first half of 1990, in spite of competitive market conditions, but earnings per share grew by less than 2 per cent.

Pre-tax profits rose to £7.27m in the six months to June 30, against £6.73m in the equivalent period.

Earnings – up from 7.01p to 7.13p per share – were held back by the issue of shares last December to buy a Lloyd's members agency business. Under the terms of the deal, Hogg will not enjoy the full earnings benefit of the acquisition until 1993.

An increase in minority interests, mainly due to improved profits from Hogg's catastrophe reinsurance operations, also slowed earnings growth. However, the group declared an increased interim dividend of 3p (2.75p).

In July, Hogg raised £14.6m through a rights issue, aimed at funding further purchases to add to some 30 acquisitions made in the last 4½ years.

The group said yesterday that about 80 per cent of the cash raised had gone towards reducing borrowings, but Mr James Vaughn, chairman, said Hogg would be happy to gear up again for further expansion. "We have a substantial line of borrowings which we haven't used," he said yesterday.

Overall group turnover grew by 5 per cent to £47.8m (£45.5m). Profits from the core insurance broking side rose from £6.06m to £7.04m in the period, although currency translation had an adverse effect on US earnings. Investment and other similar income was down at £3.58m (£3.72m).

Mr Vaughn said that competition was still intense in the US, but premiums, which have been cut sharply in recent years, were beginning to bottom out.

Traditional direct retail accounts in the UK were still under pressure from reduced premium rates in the first half, but the wholesale business strengthened in the marine and reinsurance sectors.

● COMMENT

Hogg seems to have got expenses well under control – excluding currency changes and acquisitions, they rose by 5 per cent in the first half, compared with underlying turnover growth of 6 per cent. But although this is creditable, there seems to be some doubt among analysts about Hogg's ability to squeeze higher margins out of its far-flung network of small offices.

These results were in line with or ahead of most people's expectations, and Hogg should make more than £16m before tax in the full year.

That figure will include some £3m or so of dwindling profit commission from Lloyd's managing agents, now sold, and it is worth bearing in mind that when such commission runs out in 1992 that deferred earnings from the new members agency business will not necessarily make up the shortfall.

Hogg's shares jumped 8p to 142p yesterday, and are on a prospective p/e of just under 9. There are glimmers of hope in the sector about rate-cutting, but Mr Vaughn's optimism may be somewhat premature.

Manchester Ship tussle set to resume

By David Owen

A long-running tussle for full control of Manchester Ship Canal Company involving Mr John Whittaker, the north-west property developer, and minority shareholders may be poised to resume.

Following a sharp upward move in its share price, the port and property group yesterday confirmed that discussions were taking place that might result in an offer being made to shareholders other than Greathey Investments, the privately-owned Whittaker company.

Greathey holds 50.4 per cent of the MSC ordinary shares and 81.6 per cent of the preference shares. Having peaked at £35 prior to the announcement, the ordinaries yesterday closed up £7 at £25. At this level, the 4m ordinary shares in issue were valued at £100m.

Manchester City Council is entitled to a boardroom majority of one under rights obtained when it bailed out the once struggling company some 56 years ago.

WPP shares suffer a further steep fall

By Alice Rawsthorn

WPP GROUP, the world's largest marketing services company, yesterday saw its shares fall sharply by 46p to 369p after frenetic trading in a nervous stock market.

Yesterday's fall in WPP's shares followed another steep fall on Tuesday. The share price has been reduced by nearly 17 per cent in the past two days. The value of WPP's shares has halved since this time last year.

At one stage yesterday morning WPP's shares slipped to as low as 318p. This followed the sale of 34,000 shares by Touche Remnant and the sale of several smaller lots by Fiske and Angel, two stockbrokers. WPP's warrants fell from 31p to 18p, but recovered to end the day at 25p.

Mr Quintin Price, an advertising analyst with James Capel, said shareholders had "panicked unnecessarily". He is "still confident" that WPP will meet Capel's profit forecast of £112m this year, compared with £75m last year.

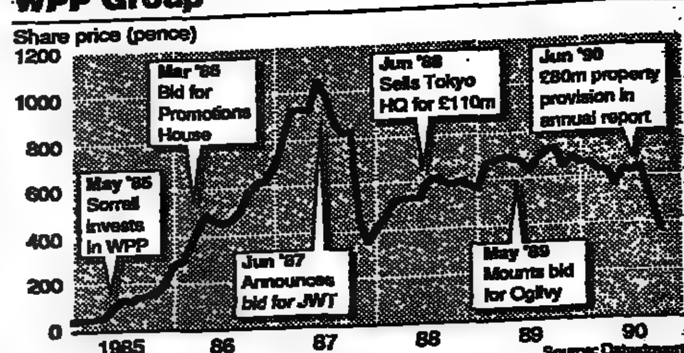
The weakness of WPP's shares has been catalysed by concern about the level of its debt – estimated at about £300m by the year end – and the weakness of the US and UK advertising markets. WPP owns J Walter Thompson and Ogilvy & Mather, two of the largest international advertising agencies.

These concerns have affected WPP's shares throughout the summer. On Tuesday the Advertising Association announced it had reduced its forecast for this year's advertising expenditure from an increase of 5 to 3 per cent. This means expenditure will fall by 6 per cent in real terms.

Also on Tuesday, National Westminster Bank said it was reviewing its £26m advertising account in the UK. The JWT London agency handles £18m of the account and all Nat West's media buying. JWT has been included in the pitch for the combined account.

Earlier this week JWT's international network gained $30m (£16m) of new business from Kodak. This announcement had no effect on WPP's shares. One analyst said: "In a market as nervous as this investors panic at a hint of bad news and ignore good news. WPP just can not win."

WPP Group



Source: Datastream

Panel reveals undisclosed Polly Peck trades

By Richard Waters and Richard Donkin

THE TAKEOVER Panel has uncovered trades in the shares of Polly Peck International worth a total of nearly £2m which remained undisclosed for six weeks in breach of the Takeover Code.

A declaration, made yesterday at the prompting of the panel, revealed two trades of Polly Peck shares on August 14 by a Geneva-based company on behalf of a Mr Behçet Ali.

The shares had been registered in the name of Blade Explorations SA, which held more than 1 per cent of Polly Peck shares – worth more than £18m – before the trades.

Mr Ali's shares were sold two days after the Polly Peck board had announced a buy-out approach from its chairman and chief executive, Mr Asil Nadir.

The sales, at 417p and 410p, came near the top of the market in Polly Peck shares after the Nadir approach.

Rule 8.3 of the Takeover Code requires all deals by any shareholder controlling more than 1 per cent of a company to be disclosed by noon the day after they were carried out, once a formal bid period has begun.

The rule was introduced in response to the large share dealings which came to light in the Guinness share support operation.

Yesterday's declaration was made after a four-member monitoring team at the Takeover Panel sifting through Polly Peck share trades discovered the failure to declare Mr Ali's deals, in breach of panel rules.

The panel is understood to have contacted the broker in London which handled the trades, which in turn notified Mr Ali's representatives in Switzerland.

The disclosure was made by Mr Ian McNeil, a director of Rhône Finance, based in Geneva.

Mr McNeil said yesterday he handled the administration of share trades by Blade Explorations, the company through which Mr Ali's shares had been sold.

"You appreciate that we are in Switzerland. We are not totally familiar with the procedures of the UK Takeover Panel," Mr McNeil said. He had been unaware of the disclosure rule until prompted by the brokers which handled the deals, he said.

Mr Geoffrey Barnet, director general of the panel, said it was unlikely that any other transactions which came under the 1 per cent rule during the bid period, which lasted five days, would come to light.

The panel would be investigating the reasons for the failure to disclose, he said, and would take action if it was found to have been anything other than an oversight.

Records of Rhône Finance show that Mr McNeil lives in Founex, the same small Swiss village where Mr Jason Davies, the Swiss-based broker at the centre of the share dealings being investigated by the Serious Fraud Office, has a home.

Mr McNeil said he did not know, and had never had any dealings with, Mr Davies. According to Mr McNeil's disclosure announcement, neither Mr Ali nor Blade Explorations is an associate of Mr Nadir or Polly Peck.

Group sought 'Swiss residency for Nadir'

By Haig Simonian in Geneva

NADIR INVESTMENTS, the Swiss private investment company linked to Mr Asil Nadir, chairman and chief executive of Polly Peck International, was created in May 1989 to act as the vehicle to establish Mr Nadir's Swiss residency.

Although Mr Nadir, who is now a Swiss taxpayer, is not on the board of Nadir Investments, the company applied for his residence permit as one of its employees. Nadir Investments is based at the Domaine de Leydefeur, a converted farmhouse in village of Givrins near Geneva.

A Nadir Investments executive confirmed that Mr Nadir was a shareholder in the company. However, he declined to disclose the names of any other shareholder.

Nadir Investments was established in May 1989 to arrange the acquisition of Alptech, a computer manufacturer in the village of Gland near Geneva. According to well-informed legal sources, the acquisition of Alptech, whose then owner did not wish to pursue the business, was a crucial step in gaining Swiss residency for Mr Nadir.

"The fact that Mr Nadir was ready to invest in Alptech, a company which the Industry and Commerce Office of the Canton of Vaud wanted to see developed, certainly facilitated the possibility for him to obtain a residence permit in Switzerland," the source said.

According to Nadir Investments, Mr Jason Davies was named a manager earlier this year because it was then thought that the company might buy holdings in other companies. As matters stand, ownership of Alptech is Nadir Investments' only holding.

According to a Nadir Investments executive, Mr Davies "runs personnel" and "is present in the company".

Transactions in Polly Peck shares by Mr Davies, a former UK stockbroker, have been investigated by the Stock Exchange's insider dealing group. On hearing of this inquiry, Nadir Investments had asked Mr Davies for a "report" on his activities. "We feel very concerned by this development," the executive said.

The company, however, had not received any report from Mr Davies and did not have any idea of his current whereabouts. "I have no idea where he is," the executive said.

The Nadir Investments executive denied any knowledge of Riverbridge or Gateway, two companies which have been allegedly involved in purchases of Polly Peck shares. The company did have some knowledge of South Audley Management and Mrs Elizabeth Forsyth. However, he said he had no knowledge of South Audley's activities. There was "no link" between South Audley and Nadir Investments, he said.

Under Swiss law, foreigners can have one of three different categories of residence permit.

Category A is seasonal and is issued to thousands of guest workers in industries such as tourism. Mr Nadir, like most non-Swiss professionals, has obtained a category B permit.

Although these have to be renewed annually, citizens from certain countries with category B status can, after five years' residence in Switzerland, move up to the much-prized category C status, which is equivalent to full residence and carries the right to live in any part of the country rather than a specific canton.

Mr Nadir is a national of three countries: the UK, the self-proclaimed Turkish Republic of Northern Cyprus (which is recognised only by Ankara), and – since last year – Turkey.

Downturn for two furniture companies

By Andrew Jack

Poor consumer spending has hit two furniture companies, adding to recent gloomy High Street results.

Stag Furniture Holdings reported pre-tax profits down 35 per cent to £838,000 and has reduced its interim dividend to 2p (2.75p), while World of Leather fell into the red and has passed its interim (0.8p). Both results are for the six months to June 30.

World of Leather, the USM-quoted retailer of upholstered leather furniture, declared an interim pre-tax loss of £408,000 (profit £556,000).

The fall was caused by "difficult trading conditions" resulting from the continued decline in consumer spending which began in the latter half of 1989, according to Mr Richard Bernardout, chairman.

Losses per share were 3.3p (earnings 4.6p). The announcement of the results knocked 7p off World of Leather's shares, which closed at 32p.

Stag Furniture, the Nottingham-based furniture maker, reported pre-tax profits of £838,000 (£1.28m), on turnover down almost one third to £14.84m (£21.73m).

A major contributory factor was the loss incurred by the company's Northumberland Furniture plant, said Mr Patrick Radford, chairman. The factory was opened last year but disappointing order levels forced the company to announce its closure in June and make 55 staff redundant.

An extraordinary charge of £2.3m (nil) covered the costs of the closure as well as unanticipated additional provisions against the closure in January of the company's Letchworth factory.

Earnings per share were 5.2p (9.8p).

The shares closed down 1p on the day at 81p.

UK COMPANY NEWS

Food preparation side lifts Geest

By David Owen

GEEST, the fresh produce and prepared foods group, yesterday reported a 25 per cent increase in interim profits, buoyed by the improved performance of its food preparation businesses.

Pre-tax profits at the Spalding-based group for the six months to June 30 amounted to £14.08m, against £11.26m.

Turnover for the group, which imports 60 per cent of the bananas sold in the UK, reached £303.7m (£263.1m). The shares rose 11p to close at 256p.

Mr David Sugden, chief executive, attributed the upturn in food preparation both to the diminishing impact of last year's listeria scare and to better efficiency as a result of plant reconfiguration.

He said the group was still deciding how best to rationalise its Fraserburgh fish operations in the light of the joint venture with Associated Fisheries.

All told, the division made a trading profit of £2.24m on turnover of £48.25m, compared with just £220,000 on sales of £32.32m last time.

The performance of the group's dominant fresh produce operations remained solid, with the division contributing £10.86m (£9.25m) of trading profit on turnover of £247.9m (£224.6m).

UK banana consumption was up 6 per cent from year-earlier levels. A joint venture had been established with Pomona, the largest produce distributor and banana ripener in France, as part of an endeavour to enhance the group's European distribution capability.

Asked whether Geest would be interested in buying Del Monte, the fresh fruit business owned by Mr Asil Nadir's Polly Peck International, were it to become available, Mr Sugden said it was "something we would have to consider."

He confirmed that Del Monte was the target of last year's abortive acquisition, which cost the company £272,000 in fees.

The results included a £142,000 (£467,000) exceptional credit, relating to property profits in part offset by restructuring costs. Net interest receivable was £1.41m (£1.55m).

Earnings per share advanced 20 per cent to 13.7p (11.4p). An interim dividend of 3.25p (2.75p) is declared.

Ashley Ashwood

David Sugden: outcome helped by diminishing impact of last year's listeria scare

• COMMENT

These results exceeded expectations thanks to the faster-than-expected recovery of the food preparation division. This was partly serendipitous as mad cow disease replaced listeria as a consumer preoccupation. But it stemmed partly from making better use of production facilities. This suggests that further improvement should be in store, since – by the group's own admission – "there is much work still to do" in the fish processing operation.

On the fresh produce side, the thrust into Europe appears judicious but the possibility that the group may have to comprehensively overhaul its sourcing arrangements post-1992 continues to cast a faint shadow. Assuming full-year profits of £24m-£25m, the shares – on a prospective multiple of between 10.5 and 11 – are high enough. With its rock solid balance-sheet and powerful market position in its major lines, however, Geest has strong defensive credentials in the current climate.

Asda food business shows growth

By John Thornhill

Mr John Hardman, chairman of Asda, yesterday told the grocery chain's shareholders that the company was making good progress in spite of the economic climate and that profits would be "more than normally skewed towards the second half."

After five years of significant reconstruction, Asda now had the main building blocks in place to ensure that the company earned a proper return on its heavy investment, he said at the company's annual meeting.

Mr Hardman said the core food business was showing encouraging like-for-like growth and had benefited from a new distribution system and the addition of 60 stores, formerly owned by Gateway.

However, the company's interests in furniture and property were being affected by the poor economic climate, he added.

Yorkshire Radio backs Metro Radio's 170p cash alternative

By Maggie Urry

THE BITTER takeover fight between Metro Radio, the Newcastle-based commercial radio operator, and Yorkshire Radio Network, which runs three stations in the Yorkshire and Humberside area, looks set to end in a victory for Metro as YRN yesterday urged shareholders to accept the 170p per share cash alternative.

However, YRN did not recommend the share offer of one Metro share plus 15p cash for every YRN share. With Metro shares yesterday closing 2p down at 138p, this was worth 153p per YRN share, against a closing 168p.

The cash alternative values YRN at £16m, and compares with the 200p per share placing price when it joined the USM in August last year.

Mr Michael Mallett, YRN chairman, said the 170p in cash was unlikely to be reflected in the share price for some time if the company remained independent.

However, in not recommending the share offer, YRN said Metro's earnings would be diluted next year by the acquisition unless it could generate pre-tax profits of £2.5m from the takeover.

In the year to end-September 1989 YRN made a pre-tax profit of £1.5m but in the first half of the 1989-90 financial year its pre-tax profits fell by a third to £410,000.

YRN's directors said they would accept the offer for their shares representing 7.9 per cent of the capital. YRN also said that bid talks with Trans World Communications, Mr Owen Oyston's company, had lapsed.

YRN advised shareholders to accept by October 2 as the cash offer can only be extended beyond that date if Metro's bid becomes unconditional.

With purchases in the market, acceptances already announced and the YRN director's shares, Metro can speak for nearly 20 per cent of the YRN shares.

Metro first launched its bid in July, after YRN said it was holding talks with Trans World. Metro's offer was increased and declared final 10 days ago.

Gloomy outlook from BSG after fall to £8m

By Paul Cheeseright, *Midlands Correspondent*

TAXABLE PROFITS at BSG International fell by over a third in the first half of 1990, and Mr Astley Whittall, chairman of the Birmingham-based car distribution, components and childcare products group, warned there were no signs of improvement in a difficult year.

In the six months to June 30, profits were £8.01m, compared with £12.57m a year ago, and earnings per share slipped from 4.05p to 2.57p.

The interim dividend, however, is maintained at 0 .7p, a reflection both of uncertainty about the future in the sense that it is deemed too early to do anything so drastic, and of concern about giving encouragement to potential predators: Sir Ron Brierley's IEP Securities has already built up a stake of 27.4 per cent in BSG.

The immediate fortunes of BSG are largely dependent on the performance of its overseas operations. Like other West Midlands-based groups it has sought to protect itself against the vicissitudes of the domestic car industry by diversifying abroad. Over 50 per cent of BSG's trading profits come from overseas.

There are three problem areas in the group, Mr Tom Cannon, managing director, explained yesterday:

- The first is the Ford dealership in Birmingham, which is critically dependent on volume sales;
- The second is at Britax Restmor, a manufacturer of children's pushchairs and nursery equipment which has been hit by the cuts in High Street spending;
- The third is L A Rumbold, the aircraft equipment business which is troubled by cost overruns on a contract with Boeing.

Of BSG's three divisions, only automotive components manufacturing raised trading profits with £5.84m (£4.21m) because of continuing demand in continental Europe.

600 Group shares tumble on warning

By Maggie Urry

A profit warning from 600 Group, the machine tools, lasers, optical equipment and distribution company, sent the shares down 18p to close at 51p yesterday. Analysts slashed profit forecasts for the year to end March 1991 and said the group might cut its dividend.

The group said "in the light of the uncertain economic climate worldwide" profit projections had been reviewed and the board "believes that trading profits for the year will not come up to earlier expectations." Interim results will be announced on November 15.

In the year to March 1990 pre-tax profits were £8.6m, down from £10.1m the previous year. Analysts had been hoping for a bounce back in profits to over £10m, but yesterday afternoon cut forecasts to about £5.5m for the year.

At the annual meeting in June Sir Jeffrey Benson, chairman, warned "margins are coming under pressure due to domestic inflation and a strengthening pound." Earlier he had been optimistic that the group would "progress in the current year".

Residential Property Securities No.2 PLC

£200,000,000

Mortgage Backed Floating Rate Notes 2018

Notice of Partial Redemption

S.G. Warburg & Co. Ltd. announce that Notes for the nominal amount of £11,500,000 have been drawn for redemption on 30th October, 1990, in accordance with Clause 5(b) of the Terms and Conditions of the Notes.

The distinctive numbers of the Notes drawn, are as follows:—

14	32	50	67	84	101	118	137	154	171	188	206	223
240	258	276	293	310	327	345	362	380	397	415	432	449
466	484	502	519	536	554	571	588	605	624	641	658	675
693	710	728	745	763	780	797	814	831	850	867	884	901
919	936	953	971	989	1006	1023	1040	1058	1075	1093	1110	1128
1145	1162	1179	1198	1215	1232	1249	1267	1284	1301	1319	1337	1354
1371	1388	1406	1423	1441	1458	1476	1493	1510	1527	1544	1563	1580
1597	1614	1632	1649	1667	1684	1702	1719	1736	1753	1771	1789	1806
1823	1841	1858	1875	1892	1911	1928	1945	1962	1980	1997		

On 30th October, 1990 there will become due and payable upon presentation of each Note drawn for redemption, the principal amount thereof, together with accrued interest to said date, at the office of:—

S.G. Warburg & Co. Ltd.
2 Finsbury Avenue, London EC2M 2PA
or one of the other paying agents named on the Notes.

Interest will cease to accrue on the Notes called for redemption on and after 30th October, 1990 and Notes so presented for payment should have attached all Coupons maturing after that date.

£174,200,000 nominal amount of Notes will remain outstanding after 30th October, 1990.

27th September, 1990

Notice of Special General Meeting
Jardine Strategic Holdings Limited

Incorporated in Bermuda with limited liability

NOTICE IS HEREBY GIVEN that a Special General Meeting of the Members of the Company will be held at Top Floor, Jardine House, Connaught Road Central, Hong Kong on Monday, 22nd October, 1990 at 2:30 p.m. (Hong Kong time) for the purpose of considering and, if thought fit, passing the following resolutions as special resolutions:—

SPECIAL RESOLUTIONS

1. THAT, subject to and forthwith upon the amendment to the Memorandum of Association referred to in Resolution 2 below becoming effective:—

(A) (i) the share capital of the Company be reduced by cancelling and extinguishing all the unissued shares of US$0.10 each of the Company and all but 400,000 of the unissued shares of HK$0.25 each of the Company and all the issued shares of HK$0.25 each of the Company then in issue;

(ii) subject to and forthwith upon such reduction of capital taking effect, the share premium account of the Company be reduced and cancelled by such amount as, when added to the credit arising as a result of such reduction of capital, in each case converted into United States dollars at such rate of exchange as the Directors may determine, shall equal the amount required to pay up in full at par the new Ordinary Shares of US$0.05 to be issued pursuant to this Resolution;

(iii) subject to and forthwith upon such reduction of capital taking effect, the authorised United States dollar denominated share capital be increased to US$475,000,000 by the creation of 1,500,000,000 shares of US$0.05 each; and

(iv) subject to and forthwith upon such increase of capital and cancellation of share premium account taking effect, the credit in Hong Kong dollars arising in the books of the Company as a result of such reduction of capital, and the credit arising in the books of the Company as a result of such cancellation of the Company's share premium account, be converted into United States dollars at the rate of exchange referred to in paragraph (ii) above and the sum standing in the books of the Company as a result of such conversions be applied (a) in paying up in full at par new Ordinary Shares of US$0.05 each to be created as aforesaid, which shares shall be allotted and issued, credited as fully paid, to the then holders of Ordinary Shares of HK$0.25 each in the proportion of one Ordinary Share of US$0.05 each for each Ordinary Share of HK$0.25 each then held and (b) in paying up in full at par new Preferred Ordinary Shares of US$0.05 each to be created as aforesaid, which shares shall be allotted and issued, credited as fully paid and carrying identical rights to those of the Preferred Ordinary Shares of HK$0.25 each save with respect to (aa) their par value and (bb) the translation of references to "$0.50" to "US¢6.5", references to "35 cents" to "US¢4.5" and references to "15 cents" to "US¢2.0", to the then holders of Preferred Ordinary Shares of HK$0.25 each in the proportion of one Preferred Ordinary Share of US$0.05 each for each Preferred Ordinary Share of HK$0.25 then held;

(B) the following amendments to the Bye-Laws of the Company be, and are hereby, approved:—

(i) *the insertion in Bye-Law 1 of a new definition, as follows:— "US$ United States dollars or other the lawful currency for the time being of the United States of America";*

(ii) the deletion of paragraph (A) of Bye-Law 3 and the insertion in its place of the following:— "(A) The share capital of the Company is divided into shares of US$0.05 each, shares of US$800 each and shares of HK$0.25 each";

(iii) the deletion of paragraph (C) of Bye-Law 121 and the insertion in its place of the following:— "(C) Subject to Bye-Law 121 (D) all dividends and other distributions in respect of shares in the Company shall be stated and discharged in the case of shares denominated in United States dollars, in United States dollars, and, in the case of shares denominated in Hong Kong dollars, in Hong Kong dollars, *provided that, in the case of* shares denominated in United States dollars, the Directors may determine in the case of any dividend or other distribution (i) that shareholders may elect to receive the same in Hong Kong dollars or any other currency selected by the Directors, conversion to be effected at such rate of exchange as the Directors may determine; (ii) that shareholders on the Company's branch register in Hong Kong will be deemed to have elected for payment in Hong Kong dollars unless they expressly elect for United States dollars or any other such currency selected by the Directors; and (iii) that shareholders who elect or are deemed to have elected for payment in a currency other than United States dollars will bear any costs of conversion into, or payment in, such currency";

(iv) the amendment of Bye-Law 147 as follows:—

(a) the deletion in paragraph 1(A) in the definition of "Conversion Number" of the expression "at a fixed exchange rate of HK$7.8060 per US$1.00";

(b) the deletion in paragraph 1(A) in the definition of "Conversion Price" of the expression "HK$14.00" and the insertion in its place of "US$1.793";

(c) the deletion in paragraph 1(A) in the definition of "Ordinary Shares" and in paragraph 8(A) (ix) of the expression "HK$0.25" and the insertion in its place of "US$0.05" and of the word "adoption" and the insertion in its place of the word "amendment";

(d) the deletion in paragraph 1(A) in the definition of "Preferred Ordinary Shares" of the expression "HK$0.25" and the insertion in its place of "US$0.05";

(e) the insertion in paragraph 8(A) and in paragraph 10(A) immediately before "130 per cent." of the words "such amount in Hong Kong dollars as, at a fixed exchange rate of HK$7.80814 per US$1.00, shall equal";

(f) the deletion in paragraph 8(A) (viii) of the words "one Hong Kong cent" and the insertion in their place of the expression "US$0.001"; and

(g) the insertion in paragraph 8(B) (ii) of the words "If the Closing Price is expressed in Hong Kong dollars" before the words "translated into Hong Kong dollars" and the insertion before the words "at or about 11:00 a.m." of the following:—

"or, if the Closing Price is expressed in a currency other than Hong Kong dollars, translated into such other currency, at the average of the spot selling and the spot buying rates, between the currency in which such aggregate consideration is expressed and the currency in which the Closing Price is expressed, of such bank as the Directors consider to be appropriate,";

(C) (i) the exercise by the Directors during the Relevant Period of all powers of the Company to allot or issue shares and to make and grant offers, agreements and options which would or might require shares to be allotted or issued be and is hereby generally and unconditionally approved;

(ii) the approval in paragraph (i) shall authorise the Directors during the Relevant Period to make and grant offers, agreements and options which would or might require shares to be allotted, issued or disposed of after the end of the Relevant Period;

(iii) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (i), otherwise than pursuant to a Rights Issue, shall not exceed 20 per cent. of the aggregate nominal amount of the issued share capital of the Company as increased pursuant to Resolution 1(A), and the said approval shall be limited accordingly;

(iv) for the purpose of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:

(a) the conclusion of the next Annual General Meeting of the Company; and

(b) the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held;

"Rights Issue" means an offer of shares or other securities open for a period fixed by the Directors to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory including, without limitation, arrangements relating to the disposal of shares or other securities which, by reason of such exclusions or arrangements, are not allotted to the shareholders who would otherwise have been entitled thereto).

2. THAT, subject to the Resolutions to be proposed at the meetings of the holders of Convertible Cumulative Preference Shares of US$800 each of the Company, of the holders of Ordinary Shares of HK$0.25 each and of the holders of Preferred Ordinary Shares of HK$0.25 each convened to be held on 22nd October, 1990 being passed and listing of, and permission to deal in, the Ordinary Shares of US$0.05 each and the Preferred Ordinary Shares of US$0.05 each to be issued pursuant to Resolution 1(A) (iv) above being granted by the Listing Committee of The Stock Exchange of Hong Kong Limited (subject, if relevant, to any conditions within the control of the Company) becoming effective, the Memorandum of Association of the Company be and is hereby amended by the deletion of paragraph 6 thereof and the substitution therefor of the following:—

"6. The authorised share capital of the Company is US$475,000,000 divided into shares of US$0.05 each and shares of US$800 each and HK$100,000 divided into shares of HK$0.25 each. The minimum subscribed share capital of the Company is $12,000 in the currency of the United States of America."

26th September, 1990

Registered Office:
Jardine House
33-35 Reid Street
Hamilton
Bermuda

BY ORDER OF THE BOARD
R. C. KWOK
Secretary

Notes:

(1) A Member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and, on a poll, to vote instead of him; a proxy need not also be a Member of the Company. A yellow form of proxy has been enclosed with the Circular to shareholders dated 26th September, 1990 and should be completed and returned either to Central Registration Hong Kong Limited, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong or to Banque Indosuez Luxembourg, 39 Allée Scheffer, L-2520, Luxembourg so as to arrive not later than 2:30 p.m. (Hong Kong time) on 20th October, 1990. Completion and return of the form of proxy will not preclude a Member from attending and voting in person.

(2) Holders of Convertible Preference Shares are entitled to attend and vote on the Resolutions set out above. If they wish to appoint a proxy or proxies, they should complete and return the yellow form of proxy enclosed with such Circular in accordance with the instructions printed thereon.

Notice to holders of the Convertible Cumulative Preference Shares of US$800 each
in
Jardine Strategic Holdings Limited

Incorporated in Bermuda with limited liability

NOTICE IS HERBY GIVEN that a separate Meeting of the holders of the Convertible Cumulative Preference Shares of US$800 each in the capital of Jardine Strategic Holdings Limited (the "Company") will be held at Top Floor, Jardine House, Connaught Road Central, Hong Kong on Monday, 22nd October, 1990 at 2:45 p.m. (Hong Kong time) (or so soon thereafter as the Meeting of Preferred Ordinary Shareholders of the Company convened for the same place and day shall have been concluded or adjourned), for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as a Special Resolution:—

SPECIAL RESOLUTION

THAT, subject to Resolutions 1 and 2 set out in a Notice of a Special General Meeting of the Company to be held on 22nd October, 1990, a print of which is produced to this Meeting and initialled by the Chairman of this Meeting for the purposes of identification (the "SGM Resolutions"), being passed without material amendment, every variation or abrogation of the rights attached to the Convertible Cumulative Preference Shares of US$800 each in the capital of the Company (the "Convertible Preference Shares") effected by the SGM Resolutions and the issue of new Ordinary Shares of US$0.05 and Preferred Ordinary Shares of US$0.05 each in the capital of the Company pursuant thereto, without giving rise to any adjustment (other than as stated in the SGM Resolutions) to the Conversion Price in accordance with the rights attached to the Convertible Preference Shares, be, and is hereby, sanctioned.

26th September, 1990

Registered Office:
Jardine House
33-35 Reid Street
Hamilton
Bermuda

BY ORDER OF THE BOARD
R. C. KWOK
Secretary

Notes:

(1) A holder of Convertible Preference Shares entitled to attend and vote is entitled to appoint a proxy or proxies to attend and, on a poll, to vote instead of him; a proxy need not also be a Member of the Company. A purple form of proxy has been enclosed with the Circular to shareholders dated 26th September, 1990 and should be completed and returned either to Central Registration Hong Kong Limited, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong or to Banque Indosuez Luxembourg, 39 Allée Scheffer, L-2520, Luxembourg so as to arrive not later than 2:45 p.m. (Hong Kong time) on 20th October, 1990. Completion and return of the form of proxy will not preclude a holder of Convertible Preference Shares from attending and voting in person.

(2) The quorum for the meeting will be two persons at least holding or representing by proxy one third in nominal value of the issued Convertible Preference Shares. If the meeting has to be adjourned for want of a quorum, it is intended that it will be adjourned to 2:45 p.m. (Hong Kong time) on 8th November, 1990 at Top Floor, Jardine House, Connaught Road Central, Hong Kong when any two or more holders of Convertible Preference Shares present in person (or, in the case of a holder being a corporation, present by its duly authorised representative) or by proxy or by attorney shall be a quorum.

Notice to holders of International Depositary Receipts
in respect of
the Convertible Cumulative Preference Shares of US$800 each
in
Jardine Strategic Holdings Limited

Incorporated in Bermuda with limited liability

NOTICE IS HEREBY GIVEN that a Special General Meeting of Jardine Strategic Holdings Limited will be held at Top Floor, Jardine House, Connaught Road Central, Hong Kong on Monday 22nd October, 1990 at 2:30 p.m. (Hong Kong time), for the purpose of considering and, if thought fit, passing the Special Resolutions set out in the Notice of the said Meeting set out above.

NOTICE IS ALSO HEREBY GIVEN that a separate Meeting of the holders of the Convertible Cumulative Preference Shares of US$800 each (the "Convertible Preference Shares") in the capital of the Company will be held at Top Floor, Jardine House, Connaught Road Central, Hong Kong on 22nd October, 1990 at 2:45 p.m. (Hong Kong time) (or so soon thereafter as the Special General Meeting of the Company, convened for the same place and day shall have been concluded or adjourned), for the purpose of considering and, if thought fit, passing the Special Resolution set out in the Notice of the said Meeting set out above.

Holders of International Depositary Receipts ("IDRs") in respect of the Convertible Preference Shares should note the following:—

(a) *Holders of IDRs have no right in their capacity as such to attend or vote at either of the Meetings referred to above.*

(b) Holders of IDRs may instruct in writing Banque Indosuez Luxembourg (the "Depositary") as to the exercise of the voting rights attaching to their Convertible Preference Shares deposited with the Depositary or its agent(s). The Depositary will endeavour, so far as practicable and subject to any applicable provisions of law or of the Bye-Laws of the Company, to exercise such voting rights in accordance with such instructions.

(c) Copies of (i) the Circular issued by the Company to shareholders, dated 26th September, 1990 containing details of the Resolutions to be proposed at the Meetings referred to above; (ii) the Memorandum of Association and current Bye-Laws of the Company; and (iii) the audited accounts of the Company for the two financial years ended 31st December, 1989 contained in its Annual Reports for 1988 and 1989 and the unaudited interim results for the period ended 30th June, 1990, are available for inspection by holders of IDRs at the offices specified below, during normal business hours on any business day up to and including the date of the Meetings. Copies of the said Circular and of forms of instruction to the Depositary may be obtained by holders of IDRs from the offices of Banque Indosuez Luxembourg and Crédit Suisse specified below:

Jardine Strategic Holdings Limited: 48th Floor, Jardine House, Connaught Road Central, Hong Kong.
Jardine Strategic Holdings Limited: Jardine House, 33-35 Reid Street, Hamilton, Bermuda.
Banque Indosuez Luxembourg: 39 Allée Scheffer, L-2520 Luxembourg.
Crédit Suisse: Paradeplatz 8, CH-8001 Zurich.

Banque Indosuez Luxembourg
Depositary
27th September, 1990

UK COMPANY NEWS

Spirax-Sarco steams ahead to £12m

By Andrew Jack

GROWTH IN continental Europe and the Far East coupled with currency gains helped lift pre-tax profits at Spirax-Sarco, the specialist steam equipment manufacturer, by 15 per cent to £12m for the six months to June 30.

But Mr Chris Tappin, chairman and chief executive, warned of less certainty in the UK and US during the second half.

There was strong real growth in Europe and the Far East in the specialty steam business, which contributes over 90 per cent of turnover. Market share in the US also grew.

The company also gained £400,000 from currency translations into sterling from overseas profits, but Mr Tappin warned that the strengthening pound could result in a loss of £1m for the full year.

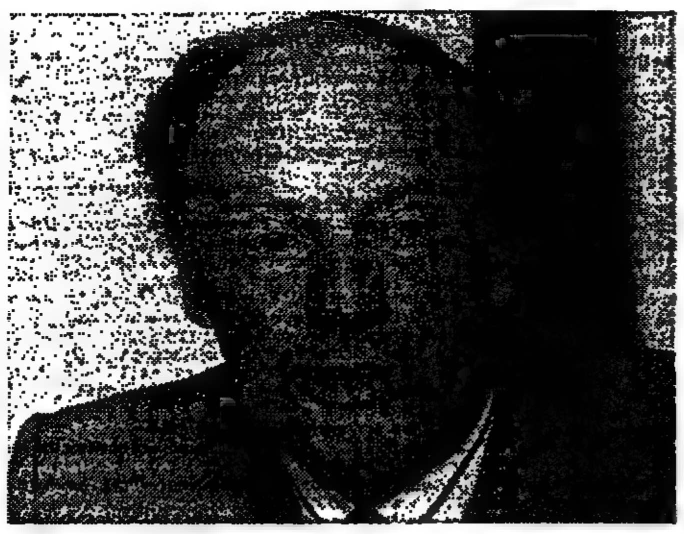
Overall turnover rose 20 per cent to £70.5m (£58.5m). Real turnover in the UK was static, and "economic uncertainties" hindered growth in Canada and South America.

The downturn in the UK housebuilding market dampened the performance of Drayton Controls, which manufactures heating controls for domestic and commercial property.

The division bought OREG Drayton Energietechnik, a West German heating control company, in January and Watson-Marlow, a peristaltic pump manufacturer, in June. The acquisitions resulted in net borrowings of £16.4m for the first half against net cash of £5.5m.

Earnings per share rose 10 per cent to 9.5p (8.6p). The shares closed down 9p to 201p on the day.

The interim dividend is held at 2.7p. "A meaningful adjustment could send a misleading message," said Mr Tappin. "We believe it is prudent to look at changing the dividend at the end of the year."



Trevor Humphries

Chris Tappin: warned of less certainty in the second half

● COMMENT

Nothing happens too quickly at Spirax-Sarco, now into its 23rd year of steady profits growth. Judging by second quarter results, there is unlikely to be a sudden drop in sales during the second half. But the maintained dividend shows some pessimism by the board, and full year results could be hit by adverse currency movements and slowing demand. Steam control has very wide applications, and the international sales and production spread provides some insulation from the UK downturn. The effect of the Gulf Crisis is double-edged: if oil prices remain high in the long term, a push for energy efficiency should boost business. Meanwhile, potential customers are likely to delay any investment in new equipment. A consulting and sales staff of 400 worldwide is theoretically a useful network in which to integrate sales from the high margin Watson-Marlow acquisition. The company is a classic defensive stock but now slightly overvalued. On unchanged full year expectations of about £26.5m, the shares are in line with the sector on a multiple of 9.

Courtney Pope loss at £3.58m

AS reported to shareholders in April and July, problems with the electrical and specialist contracting side of Courtney Pope (Holdings), the shopfitting, engineering and electrical group, have resulted in a sharp fall into losses in the year to May 31.

At the pre-tax level losses totalled £3.58m. These were substantially higher than the £2m forecast in July and compared with profits of £3.87m last time. The fall was exacerbated by a substantially higher interest charge of £3.39m (£1.7m).

No final dividend is recommended, leaving shareholders with 3.75p (8.5p) for the year. The shares shed 3p to close at 34p.

Group turnover rose to £57.39m (£57.48m). After a tax credit of £555,000 (£1.47m charge) and extraordinary debits of £1.47m (credit £160,000), relating to reorganisation costs, the attributable loss was £4.49m (profit £2.34m). Losses per share were 21.9p (earnings 17.7p).

All-round improvement hoists Boddington to £8.57m midway

By Clare Pearson

BODDINGTON Group, the leisure, drinks and healthcare group, achieved a 17 per cent rise from £7.3m to £8.57m in pre-tax profits for the six months to end-June, the first full financial period since the company sold its brewery to Whitbread a year ago.

On a like-for-like basis, trading profits were up from £7.73m to £9.23m on turnover of £64.72m (£51.24m). All four of the continuing divisions – pubs, hotels and restaurants, drinks wholesaling and healthcare – improved their contributions.

Pubs, the dominant activity, made trading profits of £8.1m on sales of £32.91m. This was achieved while Boddington carried out a refurbishment programme and came in spite of a decline in ale consumption.

Hotels and restaurants put in £910,000 on sales of £13.23m. London restaurants other than the Bentley's and MacArthurs businesses are being sold.

There were no comparable 1989 figures for these activities as separate divisions.

The company made far fewer disposals of licensed properties during the half-year and chipped in only £530,000 (£1.72m) to trading profits. However, the shortfall was offset by a net interest charge reduced to £1.19m (£3.24m).

Vigorous expansion of the drinks wholesaling business meant sales rose to £14.49m (£6.8m) with trading profits increasing to £177,000 (£100,000).

Against the background of a depressed housing market, cutting demand from the elderly for nursing home beds, healthcare made £587,000 (£525,000) on turnover of £3.99m (£2.74m).

Fully-diluted earnings per share rose to 5.7p (5.1p). An interim dividend of 2.15p (1.85p) is declared.

● COMMENT

Together with the dividend increase, these results, the first in which the four divisions were clearly separated out, provided comfort for Boddington investors. Many had been thrown into consternation when the company, a brewer of real ale for more than 100 years, last autumn decided to sell the business and portfolio of brands for £50m. But, on the evidence of the first half, the company's heavy investment in recent years in the dominant catering side looks to be paying off with, Boddington said, pub margins improving and takings showing significant growth. There are, however, fewer clues as yet as to how it is handling the newer, smaller businesses: drinks wholesaling has a heavy second half bias while the nursing homes cannot be expected to escape generally dire market conditions. Nevertheless, especially given the current economic climate, profits should look pretty healthy this year, with the pre-tax line rising from £16.24m to £20m. Stripping out property profits from earnings, this puts the shares on a prospective p/e of nearly 11, which looks fair.

Brent Walker fails to pay by GrandMet's deadline

By Maggie Urry

THE TUESDAY midnight deadline by which time Grand Metropolitan said it was due £50m as the final payment on its sale of the William Hill betting chain to Brent Walker passed without money changing hands.

GrandMet said yesterday it was consulting lawyers and accountants about the various courses of action it might now pursue. A statement about its intentions could be made today. If it is, it will coincide with the publication of Brent Walker's interim results and the announcement of new non-executive directors.

Brent Walker, which last December bought the William Hill business for £685m cash through an off-balance sheet vehicle, is seeking a £160m rebate on the purchase price stating that William Hill's profits for the year to end-September 1989 did not meet the figure promised by GrandMet.

Each side has appointed an independent firm of accountants to look at this dispute, which is expected to go to an independent arbitrator.

GrandMet claims that it should still receive the last £50m while Brent Walker argues that the money should be withheld until the dispute over the price is settled.

Dagenham Motors falls by 8%

A £152,000 increase in interest charges hit Dagenham Motors, forcing first half pre-tax profit down by nearly 8 per cent, from £1.96m to £1.8m.

The group's new car sales performance was only 3.3 per cent down, which was "an outstanding achievement", according to Mr David Philip, chairman.

Turnover showed little change at £63.82m (£62.81m) and trading profit came to £2.57m (£2.56m).

Earnings were 7.3p (7.9p) and the interim dividend is raised to 1.75p (1.5p).

NEWS DIGEST

Eleco falls 14% to £6.12m

ELECO HOLDINGS yesterday reported pre-tax profits down 14 per cent from £7.08m to £6.12m for the year to June 30 1990, and announced its decision to withdraw from property development following a sharp fall in profitability from this activity.

The property division, especially residential housing, was particularly hard hit with its exposure in the south-east and profits declined from £2.79m to £532,000, after providing £2.57m for diminution in the value of work in progress and interest on completed contracts.

A provision of £6.01m – £3.91m after tax charged as an extraordinary item – had been made to cover the estimated cost of withdrawal.

Turnover for the year dropped 4 per cent to £69.88m. Net interest charges amounted to £4.1m (£2.3m), while earnings per share fell from 17.7p to 13.6p. The final dividend is 3.8p (4p) for an unchanged total of 6.2p.

Hampden Homecare tumbles by 70%

Hampden Homecare, the Northern Ireland-based home improvement store operator quoted on the USM, saw first half pre-tax profits slide from £508,000 to £154,000, a fall of nearly 70 per cent.

And Mr Peter Goldstone, chairman, said the directors were still concerned over short-term prospects.

As earnings slumped from 3.05p to 0.67p, the interim dividend is reduced from 0.5p to 0.2p.

Turnover amounted to £9.98m (£9.27m). At Texas Homecare sales held up but margins came under pressure reflecting the business environment and promotional activity.

FBD up by 65% in first year on USM

FBD Holdings, which provides insurance and assurance services to the farming and food processing sectors of the Irish economy and joined the USM last September, increased pre-tax profits for the six months to June 30 by 65 per cent from I£2.34m to I£3.86m (£3.53m).

Earnings advanced 9 per cent to 5.02p (4.6p) and there is a maiden interim dividend of 1.3p.

Leasing setback at Business Technology

Although office automation showed an improved performance, a sharp fall on its leasing side meant that in a period of management reorganisation, interim profits of Business Technology Group fell from £2.06m to £1.49m.

However, after charging exceptional items of £502,000 this time – mainly comprising compensation paid to two directors for varying their service contracts – the pre-tax figure was down 52 per cent at £985,000 in the first half of 1990.

Earnings per share dropped from 10.13p to 4.78p, but the interim dividend is maintained at 1.5p.

Slide to $220,000 at Cambridge Isotope

Profits at Cambridge Isotope Laboratories, the USM-quoted Massachusetts-based producer of stable isotopes, declined from $330,000 to $220,000 (£118,000) in the six months to May 31.

The fall came in spite of an increase in sales to $3.54m ($2.89m), which the company attributed to a few one-off orders rather than a general trend in the research market.

Earnings fell to 0.85 cents (1.5 cents) per share.

Intl Media loss rises to £2.38m

In the year to April 30 1990 International Media Communications incurred a much higher loss of £2.38m, against £564,000 previously.

This year took account of exceptional debits of £1.48m.

They comprised predominantly costs associated with development projects and products discontinued as a result of an appraisal of all activities carried out by the new board, following injection of new capital.

Turnover fell to £1.14m (£2.47m). Loss per share was 3.13p (0.67p).

GT Japan net assets rise

GT Japan Investment Trust saw net asset value improve from 188.5p to 220.4p over the 12 months to the end of June.

Net revenue for the year to June 30 was £1.08m (£1.26m) for earnings of 1.7p (2.01p) per share.

A final dividend of 0.75p and a special of 0.25p are proposed for a total of 1.4p (1.8p adjusted).

Brooks Service declines by 25%

Brooks Service Group reported a near-25 per cent downturn in half time pre-tax profits, but Mr Simon Brooks, chairman, said the group had been far less seriously affected than many.

Turnover of this textile care and rental services group rose from £9.72m to £12.52m and the trading profit was held at £859,000. But interest charges took £296,000 (£106,000) to leave the pre-tax line at £563,000 (£748,000).

Earnings dropped to 3.05p (4.25p) per share and the interim dividend is held at 1.84p.

Sykes-Pickavant down to £0.75m

Sykes-Pickavant, a USM-quoted manufacturer and distributor of automotive, industrial and DIY tools, saw pre-tax profits fall by 8 per cent in the first half of 1990.

From turnover ahead to £9.14m (£8.65m) the profit worked through at £754,000 (£818,000).

Earnings per share declined to 5.25p (5.78p) but the interim dividend is maintained at 2.25p.

Exceptionals hold back rise at Billam

J Billam, the Sheffield-based precision engineer, recovered from the losses suffered in the second half of 1989, to post taxable profits of £73,000 in the first half of this year.

This compared with profits of £63,000 in the corresponding period.

The improvement would have been greater but for exceptional debits of £176,000, relating to non-recurring severance payments and other termination costs.

Turnover grew by some £900,000 to £8.61m and earnings per share by 0.5p to 2.9p.

The interim dividend is maintained at 1.64p.

19% improvement at Hopkinsons

Hopkinsons Group continued to progress with a 19 per cent improvement in pre-tax profits for the six months to July 31. In the group's last full year – to January 31 – profits leapt from £243,000 to £6.72m.

The outcome for the latest period at this Huddersfield-based valve manufacturer totalled £3.31m (£2.78m), even though turnover declined to £36.63m (£38.99m).

Earnings rose to 3.69p (3.34p) per share and the interim dividend is lifted to 1.2p (1p).

Reorganisation puts Riva back in black

A reorganisation of the troubled Hugin Sweda businesses enabled Riva Group, the supplier of electronic-point-of-sale equipment, to return to the black with a modest £74,000 profit in the six months to June 30.

This compared with a loss of £697,000 for the previous six months to December 31 1989 as the group struggled to get a grip on Hugin Sweda, the loss-making competitor it bought in October 1989. At acquisition, these businesses were running at a loss of over £1m per month.

In the first half of 1989, Riva made a profit of £896,000.

Mr Tom Milne, chairman, said that in the UK the merger and consequent rationalisation was nearly complete and that he anticipated improved profitability in the coming year.

The company had a strong order book through the next 12 months and was currently progressing a major implementation with Peter Dominic, in its head office and 850 store chain.

Turnover was £32.22m (£7.74m for same period of 1989). Earnings per share came to 0.3p (4.9p).

No interim dividend is declared.

Gent improves 11% to more than £5m

SR Gent, the clothing manufacturer, announced an 11 per cent increase, from £4.52m to £5.04m, in taxable profits for the year ended June 30.

Gent's turnover in the year reached a record £126m (£107.27m).

Earnings declined to 8.3p (8.7p) as the tax charge soared. The final dividend is 1.75p for a total of 3p (2.5p).

Kingston Oil climbs to $691,277

Sharply increased revenues of $2.19m, against $1.43m, at Kingston Oil & Gas were reflected in pre-tax profits up from $369,174 to $691,277 (£369,500) in the first half of 1990.

After tax of $158,994 ($84,910), earnings per share amounted to 6.03 cents (3.22 cents) and the interim dividend is raised to 0.9744 cents (0.8167 cents) or 0.58p (0.5104p).

COMPANY NEWS IN BRIEF

ABBEY NATIONAL has bought £500,000 nominal of its 10% per cent bonds due 1998. The total amount of the issue purchased for cancellation is now £96.97m, some £3.03m nominal remains outstanding.

AUTOMATED SECURITY (Holdings) has announced a $60m financing for its API Alarms offshoot in California. Prudential Insurance Company of America is providing the finance in the form of 10.73 per cent guaranteed subordinated serial notes and redeemable preferred stock 1993-2002 as well as receiving warrants to subscribe for 3.71m API ordinary shares at 300p.

CHINA & EASTERN Investment: Gross revenue year ended July 31 was $1.49m ($1.26m) and earnings 4.62 cents (3.17 cents). Net asset value $1.94 ($1.44) and $1.81 ($1.38) fully diluted. Final dividend 2 cents (3 cents).

FILOFAX GROUP has received acceptances of its rights issue in respect of 551,828 shares (about 6.9 per cent). Some 4.05m have been subscribed by the Tranwood Consortium Fund, bringing its total interest to 11.88m – 51 per cent of the enlarged share capital. The balance has been placed mainly with institutions.

HIBERNIAN Group, the Dublin-based insurance company, reported pre-tax profits much lower at I£61,000 (£55,000), against I£4.65m in the six months to June 30. Earnings per share were 0.07p (5.2p) but the interim dividend is increased to 1.75p (1.6p).

KLEINWORT DEVELOPMENT Fund: Net asset value at July 31 was 360.9p, against 366.08p a year earlier. Net profit for year was £653,000 (£548,000) for earnings per share of 10.79p (9.06p). Proposed final dividend of 6.09p makes a total of 8.6p (7.5p).

JOVE INVESTMENT experienced difficult six months to August 31: earnings per share fell to 3.33p (4.7p) and net asset value per income share dropped to 51.91p (52.98p) and per capital share to 57.75p (104.2p). There was a collapse in the value of Musterlin, its largest equity holding, and revenue affected by dividend cuts and passed preference dividends. Interim dividend is again 3.45p.

RIVER & MERCANTILE American Capital and Income Trust: Net asset value per capital share at August 31 was 30p (43.67p) and per income share 51.59p (51.71p). Net profit for six months to end-August was £327,000 (£283,000) for earnings per income share of 4.36p (3.85p). Second interim dividend 1.8p (1.6p).

ST DAVID'S Investment Trust: Net asset value 154p per capital share as at July 31, down from 180p a year earlier. Earnings per income share up from 12.2p to 13.57p for 12 months to end-July and final dividend raised to 8.8p for total of 13.2p (12p).

SYCAMORE HOLDINGS is reorganising its finances with the sub-division of each 25p ordinary share into a 5p share and a 20p deferred share, which will then be cancelled. A total of £2m will be raised by a subscription by a consortium and a further £1.9m net by a 2-for-1 rights issue.

TITAGHUR JUTE showed loss of £1.4m (£1.32m) for six months to September 30 on turnover of £19.73m (£12.2m). There was suspension of operations at two out of four mills for over 14 weeks and for two weeks at a third mill. All closed mills now reopened. Loss per share 98p (92p).

TOR INVESTMENT Trust: Net asset value per income share at July 31 was 154.2p (159.9p) or per capital share 1,198p (1,318.8p). Net revenue for year to end-August was £1.58m (£1.4m). Earnings per income share 39.16p (34.68p) or capital share 3.916p (3.468p). Proposed final dividend of 12p on the income shares, making 36p (30p) for the year and a single final 3.6p (3p) per capital share. A total payment per income share for the present of not less than 38p is forecast.

FINANCIAL TIMES SURVEY

NETHERLANDS ANTILLES

Thursday September 27 1990

After losing the bedrock of its business – the tax treaty with the US – **Richard Donkin** finds the Netherlands Antilles is recovering through its developing tourist industry and a political stability due to its position within the Kingdom of the Netherlands

Secure under Dutch mantle

The traditional gabled waterfront of Willemstad, Curaçao: the influence of the motherland is still evident today

EVER SINCE vice admiral Albert Kikkert, the first governor of Curaçao, decreed that no houses in Willemstad, the island capital, should be painted white – he suffered from migraines – Dutch colonial influence has dominated the Netherlands Antilles. The traditional gabled waterfront houses in tulip colours that would have done the admiral proud, blend perfectly with the vivid sailboat canopies of the Venezuelan and Colombian stall holders in the floating market.

This harmonious mixture of European, South American and Caribbean influences have bred a comfortable society in Curaçao, the hub of the Antilles. At a time when the economic base has largely been in decline, and where dependence on outside markets is crucial for future prosperity, Antilleans are preparing to consolidate themselves within the Kingdom of the Netherlands. The colonial mantle appears more secure today than it has for many years.

Talk of independence has almost been expunged by the Antilleans themselves, fearful of the political consequences. The last island to secede from the Kingdom was Surinam in 1975, a move which proved economically and politically disastrous for the island and which reflected badly on the Netherlands' ability to engineer a smooth and stable transition to full independence.

The Hague is determined not to repeat the mistake with the Antilles which is why the present Netherlands administration has reversed its previous policy of encouraging moves towards full independence in favour of a more controlled approach to independence. Professor Hirsh Ballin, the Dutch minister for Netherlands Antilles has prepared a "draft commonwealth constitution" that proposes a kingdom of four partners, retaining Aruba within the fold.

The commonwealth proposals are the latest plan for governing a geographically and culturally fragmented grouping of islands thrown together under the Dutch crown. The three islands to the north, St Maarten, St Eustatius and Saba are part of the Caribbean backbone running from Cuba to Trinidad, in the vanguard of the Hurricane belt. Curaçao, Bonaire and – up to 1986 when the administrative grouping had six islands – Aruba, hug the northern coast of Venezuela, 500 miles to the south of the Leeward islands.

Curaçao has always dominated the Antilles, not only because at 172 square miles it is the largest island but also because in Willemstad it has a natural deepwater port in the former crater of a volcano, connected to the sea by a narrow neck. Curaçao has 151,000 of the Antillean population of 188,000.

While the Spanish were the first Europeans to set foot on the island, it was the Dutch who realised the potential of the deep-water inlet. The port brought trade, first – up to 1863 – in slaves when the Dutch West Indies company used Curaçao as a slave-trading centre for the Caribbean.

The trade in people coupled with Dutch political tolerance led to a wide influx of cultures and nationalities – Dutch, French, Spanish, English, West African, and Sephardic Jews escaping the Spanish inquisition. The slaves, deprived of a common language, needed to communicate. The result was Papiamento, the language of the southern Antilles.

This cultural and linguistic cocktail in a land barren of natural resources or soil worth cultivating, has imbued Antilleans with an ability to adapt and prosper in even the most difficult of times.

The late 1980s have been difficult for Curaçao. The oil refinery passed into Venezuelan hands, a source of employment but very little income, the dry dock suffered from the worldwide shipping recession, the tourist industry was slowly recovering from the loss of Venezuelan visitors and the financial services sector lost the bedrock of its business – the tax treaty with the US.

Antilleans could be forgiven for appearing punch drunk. Present indications, however, suggest that while the economy may have hit the canvas it may survive the count.

The financial services sector is confident that it can recover lost ground, European tourism is on the increase leading to several new hotel developments and the dry dock is back in the black. Politically the Netherlands Antilles seem as stable as anywhere in the Caribbean. The Curaçao island government is finding it hard to come to terms with fewer revenues from the financial sector and is borrowing too heavily. Austerity measures already implemented are probably not yet austere enough.

One of the most optimistic signs for the Antilles is the formation two years ago of an aggressive marketing association, Curaçao Inc, headed by Mr Richard Lopez-Ramirez. The association has eight members, including the chamber of commerce, the dry dock, the ports authority and the Curaçao Industrial and International Trade Development company which manages the Free Zone – a 68-acre import-export low-tax area free of transshipment and import tariffs.

"The organisation makes us more efficient and allows us to to promote each of the separate business organisations at the same time.," said Mr Ramirez-Lopez.

His offices are in the International Trade Centre, a 150,000 square foot complex opened in 1988 which has become the first port of call for any organisation wishing to do business in Curaçao.

The Antilles have managed their own domestic affairs since 1954 but the two-tier system of federal and island governments has grown too cumbersome.

All the main political parties on Curaçao favour the island running its own affairs without having to manage those of neighbouring Bonaire and the northern Antillean islands. The Dutch government, however, is looking at four groupings for the kingdom: The Netherlands itself, Curaçao with Bonaire, St Maarten with St Eustatius and Saba, and Aruba.

The proposals received a less than enthusiastic response from the new federal government of Mrs Maria Liberia-Peters, whose Partido Nashonal di Pueblo, won a convincing election victory in March.

The infighting has already started. Mr Ballin was told by the island government on St Maarten that the thee Windward Islands did not like the idea of a St Maarten-based administrative assembly. St Maarten did not like the prospect of losing its island government and both Saba and St Eustatius harboured reservations about being grouped with the maverick administration of St Maarten. Mr Ballin's job promises to be a hard one.

The task may be eased, however, by the political demise of Mr Claude Wathey, the man who has dominated the island's politics for the past 34 years and who has often been in the position of power broker in previous Antillean federal coalitions. Mr Wathey's Democratic Party-St Maarten no longer holds the balance in the present administration. He also suffered a reverse on his own island, coming second on his party list to Ms Milicent de Weever in the most recent elections.

Aruba now looks more reluctant to leave the fold entirely and its independence, scheduled for 1996 is expected to be held in abeyance until it declares itself ready to break away completely. Curaçao may be given the same kind of status on condition that it will take Bonaire within its administration.

Already the Antilles enjoy most of the benefits of autonomy – defence and foreign affairs are the two main areas which continue to be looked after by the Dutch government – while their membership of the kingdom also qualifies its residents for a Dutch passport and, moreover, conveys to them associate membership of the European Community.

Antillean government officials are, even now, exploring the post-1992 possibilities of their associate membership of the EC and a number of South American and North American companies appear to be keeping half an eye on what may prove to be a Caribbean doorway into Europe.

At present the Antilles must abide by strict "value added" regulations for home produced goods which all but rules out exports to Europe but after 1992, the Antilleans argue, they will be subject to the same rules affecting any other EC member.

European legislation, like the corporate sector, is subject to the same Antillean scrutiny that has made it one of the most organised offshore centres in the Caribbean. Mr Ronald Gomes Casseres, assistant managing director of Maduro and Curiel's Bank in Curaçao, summed up Antillean skills. He said: "All countries these days are trying to close loopholes, but I think there always will be ingenious people who find ways within legislation that can be used for their advantage and I don't think that's a bad thing."

NETHERLANDS ANTILLES 2

The economy is still afloat in difficult times, finds **Richard Donkin**

Aid the price of stability

THE ANTILLEAN economy has taken enough direct hits below the water line in the past 10 years to sink a less robust society without trace, yet in 1990 the islands, with no more natural resources than the energies of their people, can still boast one of the highest standards of living in the Caribbean.

There are no illusions about the vulnerability of the economy. Mr Don Martina, the former prime minister said at a meeting of the Caribbean group for Co-operation in economic development three years ago, "We are both a creation and a casualty of the international trade in oil. More recently we might also add: 'of international financial activities'... we are thus very much aware that our economy will always depend on the vicissitudes of international markets."

International markets have not been kind to the Antilles during the 1980s. The decline in the oil refinery which, with that of Aruba once employed 20,000 Antilleans, was perhaps the largest contributor to an unemployment rate which stood at 21 per cent in 1989, although the figures disguise a grey area of employment.

Net international reserves were NAG548.6m at the end of 1989. The Curaçao island government approved a budget with a deficit of NAG96.8m for the fiscal year 1990, less than the previous year after the introduction of austerity measures such as pay cuts, but nevertheless leading to warnings from the Central Bank that it needed to be reduced further. The central government, budget deficit was about NAG7.5m, reflecting the financial dominance of the island government.

Mr Gilbert de Paula, the minister of finance in the Liberia-Peters administration, said: "We are coping with austerity and are trying hard to reduce our expenditures up to 1992."

The trade deficit, a fact of life for a service economy which must import almost all of its consumables, widened from NAG362.5 in the fourth quarter of 1988 to NAG403.2m in the fourth quarter of 1989. In same period the surplus from services and taxes from the business sector fell from NAG 477.2m to NAG373.2.

The worldwide name that the Antilles has established as an offshore financial centre tends to disguise its economic heritage in the oil industry. Royal Dutch Shell established a refinery in Curaçao in 1916 to handle Venezuelan crude.

By the second world war it was one of the most important refineries in the world. The Allied North African campaign and the Normandy landings were largely fuelled by Antillean petroleum products.

Oil transshipment and related industries, such as dry docks and ship repairs, formed a further significant economic pillar. Willemstad still has the largest commercial dry dock in the western hemisphere.

The decline in refining from the 1950s onwards was offset by the development of a growing financial services industry on the back of a tax treaty with the US. When US corporations discovered the Antillean tax window Curaçao blossomed as one of the most active low tax jurisdictions in the world.

Post-war tourism in the form of Venezuelans who visited Curaçao to buy cheap goods also flourished. By 1984 the per capita income from a thriving mixed economy was estimated at US$6,408, high by Caribbean standards.

It was already clear at that time, however, that the good years were coming to an end. By 1988 the per capita income had fallen to $5,300 with a GNP of $1,000.

The last 30 years have seen the gradual – sometimes sudden – erosion of each of the traditional pillars of the economy. Until 1960 when Shell started a lay-off programme among its workforce, Curaçao enjoyed full employment. Dutch aid, introduced for the first time that year, became a welcome crutch which cannot yet be discarded.

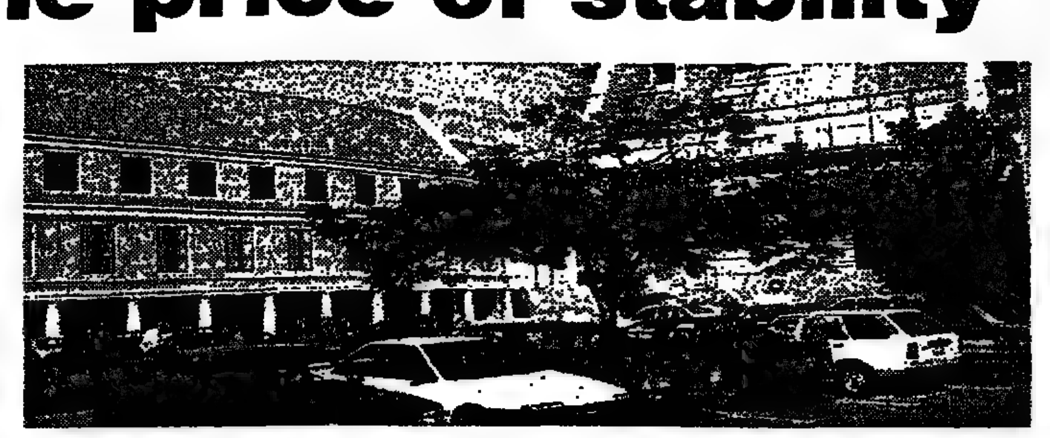
The devaluation of the Venezuelan Bolivar by 40 per cent in 1983 virtually put an end to Venezuelan tourism overnight. Shell decided to close the Curaçao refinery in October 1985, although the island government kept it intact by buying it at a nominal price from Shell and leasing it to Petroleos de Venezuela, the Venezuelan national oil company.

Although Curaçao receives only $11m a year rent for the refinery it still provides about 2,000 jobs.

While the decline in oil refining and its related effects was gradual, the affect of US tax changes on the financial services industry has been potentially a greater blow, because the changes happened at a time that the industry had been rapidly expanding.

In the mid-1980s something like half the budgetry receipts for the island government of Curaçao were attributed to income from the offshore service industry.

According to a recent study of Curaçao as an offshore centre by Ms Jeannette Hagen, general manager of Banco de Venezuela in Curaçao, the estimated tax contribution of the offshore sector to the government budget of Curaçao in 1987 was NAG440m, down from a peak of NAG540m in 1986. The report said revenues derived from offshore business were expected to fall to NAG190m in 1994.



Government buildings in Fort Amsterdam: No illusions about the economy's vulnerability

As the number of companies able to exploit the emasculated tax treaty with the US continues to decline with each maturing Eurobond issue, the financial sector is desperately looking around for new business.

In spite of taking a pounding from external forces beyond its control the Netherlands Antilles economy appears in much better shape than might be expected.

Tourism is growing, trade is on the increase, the refinery has survived and the dry dock, which lost business in the worldwide shipping recession, has laid people off, dropped its charges by 30 per cent and is beginning to recover.

Contraction of the financial services sector has been much smaller that was expected and the signs are that it is alive and kicking. Political unrest, which can go hand in hand with economic decline, has not happened.

Aid packages from the Netherlands and from the European Community have been used to establish an effective infrastructure.

Tourism policy has been realigned to attract more visitors from the US and the Netherlands, although the figures are still loaded with "shopping tourists" from elsewhere in the Caribbean – traders who come to buy goods in the Curaçao free zone.

A number of hotel projects are planned or under construction. By far the most ambitious is a US$300m hotel, condominium and yachting complex planned at San Nicholas, and financed by Thyssen-Bornemisza. Work on the first phase of the complex is scheduled to start next year.

One of the most promising new policies aimed at both boosting the economy and recruiting business expertise is the law on "pencionados" that provides tax incentives for wealthy Dutch residents to settle in the Antilles.

The retirees – they need not be retiring age – must agree to spend at least NAG240,000 on a property and employ an Antillean. The tax on their income is set at 5 per cent, or they can elect for normal rates on a deemed foreign income of NAG150,000.

While the economy remains far from healthy, many Antilleans believe that it is already on the road to recovery, although the declining revenues from the financial services sector are a real cause for concern and the main reason why the Curaçao island government budget deficit has been growning.

The aid package for the Netherlands Antilles from the Dutch government amounts to a maximum of Fl 225m (£67.36m) a year until 1998. The Antilles gets about Fl 200m of that in grants and soft loans plus European Community aid of something between Ecu12m (£8.42m) and Ecu20m a year.

The aid is a source of mild irritation to The Hague but it does not appear to be heavily resented. As one government official put it: "It is a price worth paying for stability. We cannot afford another Surinam."

Curaçao's neighbour makes its presence felt

Looking to the mainland

PEOPLE IN Curaçao say that, on a clear day, one can see the Venezuelan coast – less than 60 miles to the south – from Willemstad.

In fact, one does not have to look too far to see clear signs of Venezuela's presence in the two southernmost isles of the Netherlands Antilles, Bonaire and Curaçao (Venezuelan influence in the three northern islands is slight).

Branches of Venezuelan commercial banks are prominent in the old centre of Willemstad, and most large Venezuelan financial institutions have some type of presence in Curaçao.

At the capital's popular floating market, a dozen Venezuelan boats sell fruits, vegetables and other goods brought over from the mainland.

Venezuelan tourists are a common sight both in Curaçao and Bonaire (they come mostly to shop in duty-free stores), although now they arrive in far smaller numbers than before 1983, when before Venezuela ordered a major devaluation of its currency.

Important Venezuelan families involved in trade and commerce – such as Curiel and Maduro – had their roots in Curaçao, and a number of Venezuelan companies do business regularly in the islands. Venezuelan investors also are important clients of Curaçao's offshore banking sector.

But Venezuela's most significant economic role in the islands relates to petroleum. PDVSA, the Venezuelan national oil company, began leasing the former Shell refinery on Curaçao from the island's government in 1985, when Shell closed down the facility after 70 years of operations.

The refinery is by far the biggest industrial operation in the Dutch Antilles (Exxon formerly operated a refinery on Aruba, but it was also closed down. A flamboyant American oil man, Mr Oscar Wyatt, has said he will modernise and operate the old Exxon refinery).

Although the Curaçao plant employs less than 2,000 people (Curaçao's population is nearly 149,000), it is one of the mainstays of the island's economy.

The refinery purchases sub-

Venezuela plays a significant role in Curaçao's stability

stantial volumes of goods and services from Curaçao, and its employees are very well paid by local standards.

In addition, the refinery's imports and exports account for the lion's share of all the Netherlands Antilles trade. It now imports around 220,000 barrels per day of crude oil from its parent company in Venezuela.

Venezuela's decision to fill the vacuum Shell left in Curaçao was made in order to avoid economic and political destabilisation on the island and represented the boldest – and perhaps most successful – Venezuelan foreign policy initiative in years.

In effect, kudos for this refined diplomacy should go to the PDVSA executives who made the project work.

The original commitment by the government of President Jaime Lusinchi (in office from 1984 to 1989) has been maintained by the administration of President Carlos Andres Perez, who took up office last year.

Ironically, the government had to oblige PDVSA to assume responsibility for the refinery since, at that time, running an old refining plant was not a profitable venture.

Today, PDVSA has turned the plant, its storage capacity and deepwater port into a useful – and modestly profitable – component of its international refining network.

Venezuela's economic commitment to Curaçao resulted from a desire to bolster democratic systems in the region. It also reflected an element of self-preservation: Venezuelan leaders did not want an economically – and perhaps politically – unstable island in its back yard.

Frequent contacts between political leaders in the Antilles and Venezuela began in earnest when President Carlos Andres Perez was serving his first term of office from 1974-79. Since then, relations between Venezuela and its neighbours became closer, despite changes in leadership. This helped to pave the way for the 1985 refinery agreement.

Venezuela, however, does not always handle its foreign affairs efficiently. In recent negotiations with the governments of the Antilles and the Netherlands on delimitation of undersea boundaries, the Venezuelans embarrassed the Curaçao administration by asserting that the latter had not properly prepared a draft treaty.

In fact, diplomatic sources say the Venezuelan Foreign Ministry was either trying to stall, or had not completed its own work on the draft.

While such incidents are annoying, they are not likely to sour relations between the two countries.

Curaçao does not feel that Venezuela is attempting to dominate the region, and the Caracas government does not hold any such pretentions.

Joe Mann

THE NETHERLANDS

Creation of a commonwealth focus for talks

RELATIONS BETWEEN the Antilles and the mother country have shown a marked improvement this year with new proposals for a commonwealth structure that would secure the future of the islands as autonomous groups within the kingdom.

The debate is centering now upon the composition of a commonwealth, which, it is anticipated, will retain Aruba as a member, probably after 1996 when the island is due to obtain independence. Aruba was given status aparte from the Netherlands Antilles in 1986 with a view to independence 10 years later.

The experience of Surinam which has suffered coup and counter coup since seceding from the Netherlands in 1975 has led to a rethink by The Hague on the desirability of pushing the island members of the kingdom towards independence.

Curaçao had never been enthusiastic at the prospect and is even less so today. Its ideal position would be to run itself as an autonomous unit like Aruba, but the latest proposals on the drawing board envisage a kingdom comprising four administrative groupings: The Netherlands, Aruba, Curaçao with Bonaire (The Leeward Islands) and St Maarten with St Eustatius and Saba (The Windward Islands).

Instead of Aruba gaining independence automatically at the designated date the new constitutional relationship is expected to include arrangements for some kind of "independence trigger" which the Antilles and Aruba could activate as and when they felt ready for full independence.

In the meantime The Hague is attempting to outline a constitutional framework, getting rid of the existing two-tier system of federal and island governments, which, theoretically, will allow the islands to function as efficiently as possible with the least amount of friction between them.

The decision to grant Aruba status aparte, for example, considerably eased tensions which had been building between Aruba and Curaçao. Similar tensions now appear to be developing between Curaçao and St Maarten.

The cultural and economic differences between the Windwards and the Leewards, 500 miles apart has led to a weakening of the ties between the two islands. St Maarten has pursued a laissez faire policy allowing economic growth in tourism to go almost unchecked. Taxes for the federal government have largely remained uncollected and drug trafficking on the island appears to be a significant problem.

Curaçao, the big brother in the south appears to be increasingly determined to distance itself from St Maarten's lax and cavalier administration. The Windwards rarely get a mention when the Netherlands Antilles economy is being discussed as a whole in Curaçao.

A discussion document on the constitutional proposals states: "The feelings of kinship between the three Windward islands and those between Curaçao and Bonaire are almost entirely lacking in the relations between the two island groups."

In reality there exists an island selfishness – both St Maarten and Curaçao seem to care little for the fortunes of their smaller island neighbours. This is recognised by The Hague which is deter

Continued on Page 3

"THIS IS a golden rock in the Caribbean. It has been like that for 400 years," said Mr Bert Knubben, a Dutch diver who has been harvesting black coral from 150ft down the reef off Curaçao since he was a teenager. It was just an opinion. He fashions jewellery in a wooden hut a few miles out of Willemstad where the real wealth is.

The banks in Curaçao tend to be sober, restrained places. The wealth is not superficial. It is buried in the expertise of Antillean bankers, lawyers, accountants, tax specialists. The Antillean tax expert is creative, moody, sometimes morose and has never been quite the same since the US all but severed the tax treaty. He is also a fighter.

Mr Gregory Elias, chairman of Offshore Association of the Netherlands Antilles, said: "Despite all the problems we have had with the tax treaty there have been very few jobs lost in the industry ... Mutual funds are going well at the moment." More than 100 new funds are estimated to have been established on the Antilles last year.

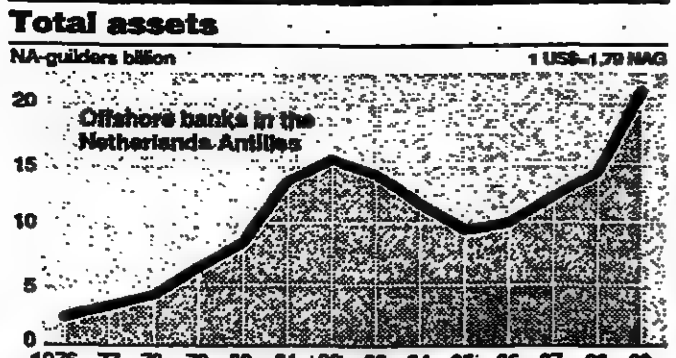
The funds attract a minimum tax of US$1,000 and a maximum of $10,000 which applies to funds valued at more than $43m.

The central government appears ever willing to establish the legislation needed to accommodate new financial schemes. A law was enacted to make the formation of captive

Financial sector fights on, writes Richard Donkin

New avenues for tax

Total assets



Source: Central Bank of the Netherlands Antilles

insurance companies an attractive proposition, although only about 30 have been set up so far in what has become a saturated market. A ship registry has also been established.

The Antilles has never been a large banking centre on the scale of, for example, the Cayman Islands. It has 61 banks. Most are offshore but 14 banks are licenced to transact business in the domestic market. Assets in the offshore banks have risen sharply since they bottomed at NAG9.75b in 1985. They rose from NAG14.3b in 1988 to NAG21.1b in 1989.

The Antilles appears to have survived the sort of scandals that have sullied the name of other offshore locations. On its side it has the reputation of the Dutch legal system and Dutch financial institutions.

The Central Bank also endeavours to discourage murky business and is planning to increase its supervision to cover offshore banks.

It would be unfair and inaccurate to label the Antilles a laundering centre. It is more of a of a loophole centre. The tax experts are the sort of people who would pride themselves in being able to spot a loophole in the Gordian knot.

The development of the Antilles as a tax centre goes back to the late 1930s when Mr Tom Smeets, a Dutch civil law notary who had been working with the Royal Dutch Shell Company in Curaçao, recognised that the Antilles could provide a safe refuge for large Dutch corporations in the event of a war in Europe.

He persuaded the Dutch government to install the legislative machinery which allowed every large Dutch corporation to be ensconsed within Curaçao within five hours of Guederian's Panzers rolling into the Netherlands on May 8 1940.

His next move, designed to hold on to many of the corporations, was to suggest a new arrangement for the taxing of offshore companies at 10 per cent of the regular rate, leading to the rates of 2.4 per cent and 3 per cent in force today.

Mr Smeets' master-stroke came in 1955, after the Antilles had become an autonomous nation within the kingdom, when he moved to exploit a 1948 tax treaty between the Netherlands and the US, tagging the Antilles on to the treaty, thereby creating a tax window for US corporations.

The tax treaty allowed investors who set up Antillean companies to escape US taxes on a variety of investments. The window, therefore, became an important funnel for Euro-financing of US companies, particularly during the 1960s US balance of payments crisis.

The window fed US corporations to the tune of $14b in Eurocurrency debt in 1982. By 1983 some 25,000 of the 30,000 companies registered with the Curaçao Chamber of Commerce were owned by foreigners.

In 1984 the Antilles suffered its first real financial setback. The US abolished withholding tax on interest payable to non-residents, permitting US companies to go directly to Europe to raise loan capital.

While the source of the Eurocurrency income declined from then on, those Eurobonds already issued retained their validity and some other tax provisions remained. The number of offshore companies in Curaçao continued to rise to about 35,000 in 1986.

A year later, concerned that the Antilles tax window was being exploited by "treaty shoppers", the US cancelled its tax treaty with the Antilles. The then Antillean finance minister called it a national disaster.

The US, however, had underestimated how important the Antilles had become to its own corporations and investors. Prices of bonds issued in the Netherlands Antilles fell by between 15 and 20 per cent overnight. Some companies began to consider calling in their bonds at par value ahead of the redemption date. This would have led to further losses for investors who had bought in at a higher rate. The Bank of Boston did just that, calling in $100m of 14¼ per cent 1989 notes.

The US Treasury relented and agreed to retain a single clause in the treaty which was due to expire on January 1988. The clause effectively protected or "grandfathered" the existing Eurobond deals.

In spite of the removal of by far the biggest financial benefit enjoyed by Antillean entities, the financial sector has not collapsed. Instead it is fighting hard to compete with other jurisdictions.

The latest talk is of a stock exchange. At the same time tax experts are scouring the world for jurisdictions prepared to enter into a treaty to avoid double taxation. At present the Antilles has one with Norway and it has a long-standing arrangement with the Netherlands. Whether it will ever recover its position in the offshore league is another question.

PETROLEUM

A Venezuelan initiative

CURAÇAO HAS no petroleum of its own, but oil has been a strong force in the island's economy since a subsidiary of what is now the Royal Dutch/Shell group began building a refinery there in 1915.

The sprawling refining complex in Willemstad, which has been expanded and upgraded many times over the past 75 years, employs only 1,750 people, or 3 per cent of Curaçao's labour force.

However, it has a tremendous impact on the island's economy, generating substantial demand for local goods and services. In fact, the refinery alone accounts for an estimated 20% of the island's Gross Domestic Product.

In terms of all five islands in the Netherlands Antilles, international petroleum activities – including the Curaçao refinery and an oil storage and transshipment terminal on Bonaire – account for 95 per cent of total exports and 70 per cent of imports.

The refinery – called Refineria di Korsou N V – is now owned by the Island Territory of Curaçao and operated under lease by Refineria Isla S A, a subsidiary of Venezuela's national oil company, PDVSA.

Shell, the original owner, closed down the refinery in 1985 and turned it over to the Curaçao government for a nominal sum.

The Venezuelan government then stepped in and negotiated a leasing agreement with Curaçao, thus saving the island from a serious economic blow.

The decision to lease the old Shell facility was more political than commercial. When Shell pulled out of Curaçao in 1985, the government in Venezuela, then headed by President Jaime Lusinchi, was worried that the island – which lies about 60 miles off the Venezuelan coast – would be plunged into a state of economic and political instability.

The Lusinchi administration told its national oil company to find a solution, but PDVSA was reluctant to take over an ageing refinery under any terms, at a time when refining margins were unattractive.

In November 1985, PDVSA signed an agreement with the governments of the Netherlands Antilles and the Island Territory of Curaçao to lease the refinery and its nearby marine terminals at Bullenbaai and Caracasbaai.

PDVSA agreed to pay an annual rent of US$11m and to invest up to $27.5m per year in new equipment and maintenance, when necessary. The Venezuelan company is exempted from all Netherlands Antilles taxes and duties.

The current lease expires on September 30 1994 and is renewable by mutual agreement for periods of two years.

Venezuela's initiative has turned out to be positive both for the Antilles – which has seen its biggest industry, in the seat of its government, Curaçao, rescued from imminent collapse – and for PDVSA.

When Venezuela's national oil company took the place of Shell, which had been in Curaçao for seven decades, many islanders were concerned. Most of the news they read about Venezuela was bad: corruption, mismanagement of petroleum wealth, poverty, crime and political shenanigans.

In fact, Curaçao soon learned that PDVSA executives had nothing to do with the old stereotypes of Venezuelans. The Venezuelan company sent experienced professionals to Curaçao, and quickly demonstrated that it was an efficient and sophisticated international oil company.

In 1985, PDVSA set up a new subsidiary, Refineria Isla S A, to run the Curaçao petroleum facilities. Isla promptly put the refinery into operation and smoothed over potentially serious labour problems. The refinery is designed to process Venezuelan crudes, and PDVSA provides its feedstock.

Today, Curaçao government officials and ordinary citizens give high marks to the Venezuelans, and are clearly eager that PDVSA continues its presence on the island.

The Venezuelan government has achieved its principal goal, that of helping to ensure political and economic stability in Curaçao. And PDVSA, which assumed its role in Curaçao with great reluctance, has found that the refinery is a better business than expected.

The refining complex, with a 320,000 barrel per day processing capacity, includes storage patios for 34.3m barrels of petroleum and a deepwater port at Bullenbaai.

PDVSA last year strengthened its strategic position in the Caribbean even more by purchasing a depot with another 9.5m barrels of oil storage capacity on the nearby island of Bonaire.

These depots give PDVSA greater flexibility to produce, store and ship crude oil and refined products to international clients, and thus allow it to compete effectively with Middle East oil producers who are eager to increase sales to some of the same markets, especially the US.

Isla this year has been processing an average of 220,000 bpd of Venezuelan crude, and is working close to maximum feasible capacity now that Venezuela has raised crude oil production in the wake of the Middle East crisis.

Around 42 per cent of Isla's exports go to the Caribbean, 21 per cent to the US, 18 per cent to South America and 7 per cent to Europe. Isla also sells 12,000 bpd of refined products to the island government's oil distributor, Curoil N V, and supplies other members of the Antilles group.

PDVSA executives say that as a stand-alone refinery, Isla would not make sense. While the refinery has some modern units, it is basically an old plant with relatively high operating costs and low-energy efficiency. Moreover, labour costs on the island are elevated.

Despite these drawbacks, Isla is profitable since it functions as part of PDVSA's large international refining and sales network, and since it sells much of its output to small, premium buyers in the Caribbean. This highly-dispersed market allows Isla to charge a premium for its products.

Discussions on the future of the refinery have been held by PDVSA and the governments of Holland and the Antilles. Isla wants to improve overall operating efficiency and install new refining units that will yield greater volumes of high-value, light products.

Since taking over the refinery, Isla has made a variety of investments. But decisions on substantial, long-term outlays – which would mainly come out of PDVSA's pocket – have not yet been made.

Joe Mann

Continued from Page 2

mined to take a firm line on the proposed groupings and which could, but is unlikely to, wield the big stick in cutting aid.

The aid package for the Antilles and Aruba is regarded as a small price to pay for ensuring stability among islands which have at times during the Netherlands' history proved vital to Dutch interests.

During the 16th and 17th centuries the islands became an important re-supply and repair base for Dutch ships, centres for a growing slave trade, and, in the case of St Maarten a valuable source of salt for the Dutch herring industry.

But the moral debt to the Antilles is not buried in the distant past. In recent memory the Antilles provided a valuable sanctuary for Dutch corporations during the Second World War and today they remain a sanctuary for many Dutch corporations, this time from the tax man or the corporate raider – priority voting shares held in an Antillean trust are a useful shield against predators.

A further card in the constitutional pack is the residual Dutch guilt about its historical roll as a coloniser. The Antilleans are quite deft at playing on that one, especially when the guilt is mingled with fears of what can happen when a colony is given full independence, as in Surinam's case.

The Netherlands' moral debt continues today

With independence no longer an issue, the kingdom is likely to look forward to a settled period, although the Antillean economy appears to have some way to go before aid can be cut entirely.

The aid helps to maintain a stable economy, thereby easing the pressure for immigration to the Netherlands by Antilleans.

The economic problems in the past few years have led to some immigration but it has remained at manageable proportions, even though the population of the Antilles has shown a marked decline as a result.

If any of the proposed groupings proves to be a problem for The Hague it is likely to be St Maarten, although a Dutch legislative system does seem to exert a restraining influence on the island.

Increasing Dutch tourism in the Antilles, a long established respect for the monarchy and the potential of greater Antillean involvement in the Common Market through its associate membership promise to strengthen ties with the Netherlands.

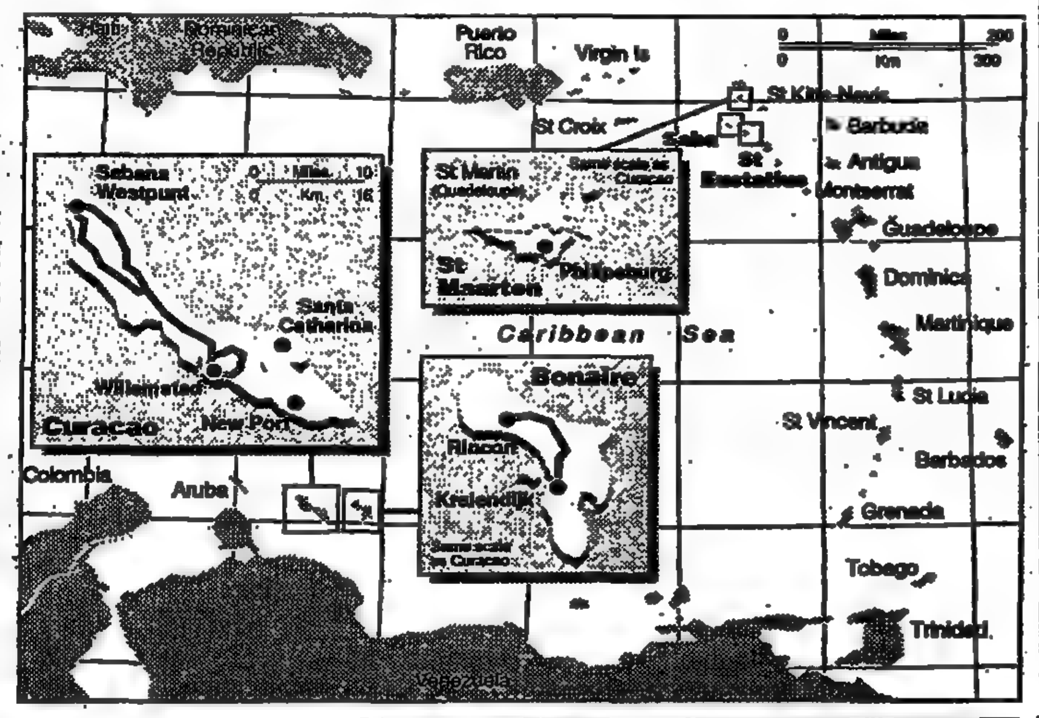
This is particularly true in the case of Curaçao which at present is actively seeking ways to exploit the dissolution of inter-European tariff barriers in 1992.

Dutch companies are becoming increasingly interested in the Antillean sector. KLM, the Dutch airline is negotiating to buy a 40 per cent stake in ALM the Antilles' government-owned airline.

In recent weeks, PTT, the Dutch telephone company has been proposing to buy a 40 per cent stake in the Antillean telephone network.

As an Antillean lawyer put it: "Tied as we are to Holland we get a Dutch passport, we don't have to worry about defence or foreign affairs and we are left to run our country as we wish. We have the best of both worlds."

Richard Donkin



KEY FACTS

Area	993 sq km
Population	260,000 (1989 estimate)
Head of State	Queen Beatrix of the Netherlands
Currency	NA Guilder
Average Exch Rate	Fixed at $1=NAG1.79

ECONOMY

	1988	1989
Total GDP (US$m)	1,452*	n.a.
Current Account Balance (US$m)	25	50
Exports (US$m)	153	175
Imports (US$m)	933	1,020
Trade Balance (US$m)	-780	-846
Main Trading Partners (% of total value)		
Exports		
USA	32.9	
Bahamas	12.3	n.a.
Bermuda	5.3	
Imports		
USA	18.4	
Netherlands	5.8	
Funded debt to the Netherlands (Gm)	679	n.a.
Consumer prices (% change p a)	2.8	3.9
Total reserves minus gold (US$m)	283	207
Discount Rate (%,period avg)	6.0	6.0

* 1987 figure
Source: IMF, Datastream, Economist Intelligence Unit.

Higher income visitors are targeted for future, writes Joe Mann

Tourism bolsters economy

TOURISM IS big business on the five small islands (total area, 308 sq m) that make up the Netherlands Antilles. It creates most of the jobs and brings in US$300m or more per year for stay-over tourists alone.

The three largest islands, Curaçao (171 sq m) Bonaire (111 sq m) and St Maarten (13 sq m in the Dutch sector only) are the main attractions for international tourists, while the two tiny islands of Saba (5 sq m) and St Eustatius (8 sq m) get short-stay visitors from nearby St Maarten.

St Maarten, with striking white-sand beaches, ritzy hotels and a choice between Dutch and French colonial cultures, leads the Antillean pack with 68 per cent of stay-over tourists and 65 per cent of cruise ship calls.

And Bonaire, while lacking luxury accommodation, does quite well in luring international tourists who wish to scuba dive or snorkel around its spectacular coral reefs.

This leaves Curaçao, the seat of the Antillean government and the largest and most populous (also the most problematic) island of the Caribbean quintet.

Curaçao enjoys a pleasant year-round climate and has a charming Dutch colonial section in its capital city, Willemstad, which sits astride a bay.

It offers shops packed with duty-free goods, comfortable three-star hotels with casinos and some excellent restaurants.

The island lies outside the Caribbean hurricane corridor and is regularly served by major airlines from the US, the Caribbean, Venezuela, Holland and Portugal.

But Curaçao has some drawbacks: A large and often smelly oil refinery sits next door to the charming colonial centre of Willemstad. So far, the refinery has not caught on as a must for tourists.

Because it lacks five-star hotels and resorts, Curaçao predominantly draws middle and lower-middle income tourists.

In 1989, the largest single block of tourists – almost 35 per cent – were trades-people from other parts of the Caribbean who buy duty-free goods in Curaçao and re-sell them at home. These visitors spend a lot of money, but not on hotels or touring.

In spite of being an island in the romantic Caribbean, Curaçao lacks the natural, sandy beaches found in so many other places that compete for European and American tourists. Some hotels have built artificial beaches.

In contrast, Curaçao's rival and neighbour, Aruba, has an abundance of excellent beaches, and attracted 44 per cent more stay-over tourists than Curaçao in 1988.

Aruba politically withdrew from the Netherlands Antilles in 1986, thus weakening the revenue base of the central government in Curaçao and sharpening competition between the two islands.

This type of rivalry – and sometimes resentment – also exists between prosperous St Maarten and less prosperous Curaçao.

But Curaçao's island government is working hard to promote more tourism in order to combat its 21 per cent unemployment rate and strengthen what officials call one of the "pillars" of the economy.

Curaçao reported more than 193,000 stay-over tourists last year, up 24 per cent over 1988. During the first half of 1990, tourism increased almost 7 per cent over the same period in 1989.

Some of these increases were due to special promotions by KLM in Europe, and by the inauguration of TAP flights from Portugal to Curaçao. But most of the growth simply reflects an existing pattern, where the majority of visitors come from low and middle-income levels.

The director of the Curaçao Tourism Development Foundation, Mr Siegfried B Loeper, stresses that Curaçao aims at shifting the mix of tourists toward upper-middle ($50,000-75,000 per year income) and first class visitors (above $75,000), and at developing conference and convention traffic. "Curaçao wants to move away from mass tourism," Mr Loeper said.

The tourism agency seems to have done its homework quite well. According to Mr Loeper: Curaçao offices in the US, Europe and South America are promoting the island as offering a combination of a sunny tropical climate, romantic location, water sports, colonial architecture, shopping, night life, hotels and beaches.

The idea is to establish a clear "product image" for each island: Bonaire for scuba diving, St Maarten for beaches and the bi-cultural experience, Saba and Statia for shallow diving.

The tourism board has identified sections of the US and Canada, as well as certain European and South American countries where it believes it can compete effectively with similar tourist destinations, offering either a Netherlands Antilles package alone, or a combination of the Antilles and a South American country.

The board, with a 1989 budget of NAG16m, is concentrating its efforts in these areas, as well as in Holland, a steady and traditional source of tourists.

The government is promoting the construction of new, luxury hotels (via financing assistance and other incentives) and has built an impressive trade centre outside Willemstad that can be used for international conferences.

It has sold two of the five hotels it previously owned, and is planning to privatise the other three.

Moreover, it is slowly cleaning up and refurbishing run-down sections of the capital. Several private investors are upgrading their hotel properties.

The Sonesta group is building a 240-room hotel that aims at being a five-star establishment, and construction is scheduled to begin early next year on the Ramada Renaissance, a $40m luxury hotel.

Holland's Van der Valk group, which owns a chain of hotels in Europe, bought the 240-room Plaza Hotel in Willemstad from the government last year. The group is now building an artificial beach and remodelling the hotel.

TOURISM IN THE THREE LARGEST ISLANDS

	1987	1988	1989
Stay over visitors			
St Maarten	429,213	465,266	488,720
Curaçao	134,786	155,166	193,032
Bonaire	30,422	33,978	37,163
Cruise ship calls			
St Maarten	452	478	497
Curaçao	156	204	192
Bonaire	12	50	75

Sources: Central Bureau of Statistics, Island Govt and Curaçao Govt Tourist Bureau

Island charm at risk

A POSTER promoting Bonaire calls it "unhurried, unspoiled, unforgettable". Unfortunately, this little island, surrounded by turquoise Caribbean waters, may already be leaving these qualities behind.

Bonaire, with less than 11,000 inhabitants, offers spectacular underwater vistas to scuba divers and snorklers. And, according to divers, the island government exercises care to avoid over-use of its delicate coral formations. Non-divers can take lessons and see an underwater slide show.

For those not so inclined, there are other sports and activities such as conch-eating and sightseeing. The narrow highway that winds around 24-mile-long Bonaire passes ranks of flamingoes standing in blue-green pools of sea-water, great piles of salt bleaching in the sun and long stretches of angry surf.

On the western end of the sleepy island, an oil storage terminal, owned by Venezuela's state oil company, sits alongside a flamingo sanctuary and national park.

The terminal, which is used for the transshippment of petroleum to international clients, has been on the island for many years and has not yet been a source of environmental damage.

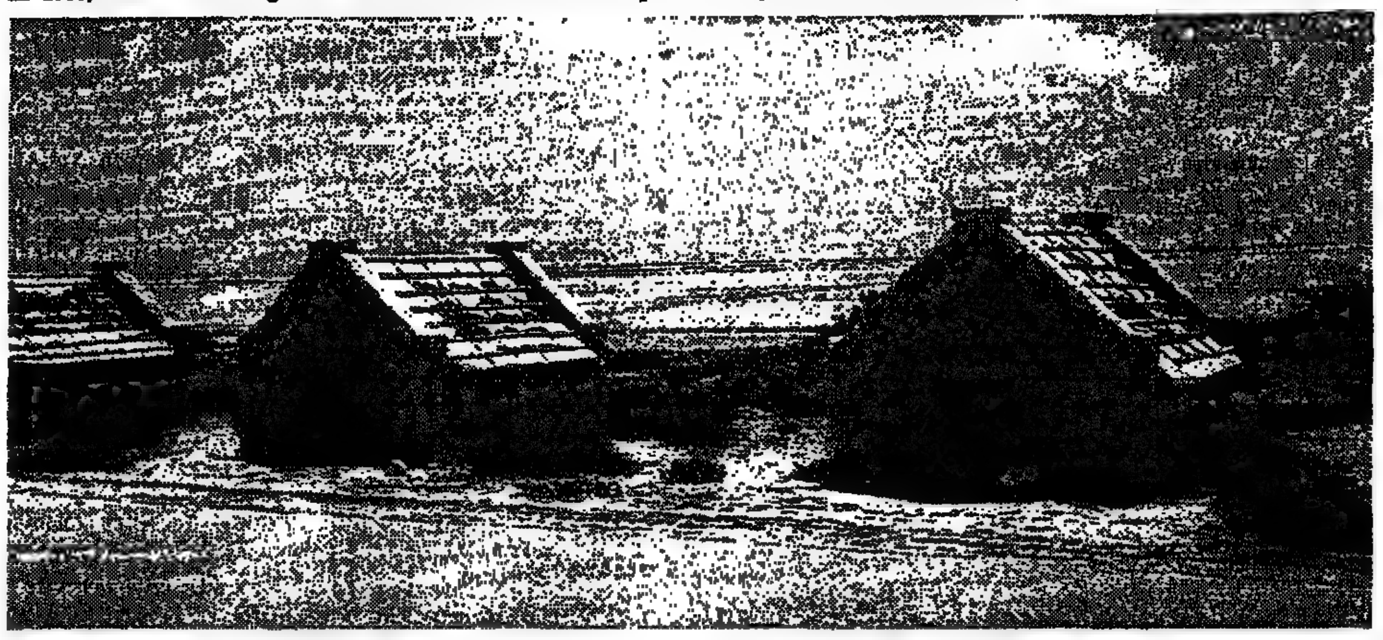
But tourism is beginning to take its toll. Many of Bonaire's brilliant, white beaches are marred by heaps of refuse, and roadsides outside the capital city of Kralendijk are badly littered.

Huts used by slaves who worked the Bonaire salt pans are touted as a tourist site. On closer inspection, however, some are found to be little more than a handful of deserted rubbish bins.

The island offers a variety of comfortable – although not luxurious – hotels and time-sharing apartments. Real estate developers are expecting a sizeable increase in demand, and rapidly are adding new rooms.

One restaurant owner in Kralendijk is worried that the island could soon be overdeveloped. "There's no doubt that the government favours business," he said, "but there's practically no control over new real estate development." Nearby Aruba, which allowed too many new hotels and condominiums to be built, has already lost some of its charm. The Aruba government also brought in workers from Turkey to cover the island's labour shortage.

Joe Mann



Huts used by slaves who worked the Bonaire salt pans are touted as a tourist site.

ST MAARTEN

Laissez faire only guiding rule

MENTION ST MAARTEN to an official in Curaçao and his face adopts a twitch; he rubs his eyes as if to remove a particularly irritating piece of grit and then he changes the subject. They don't want to talk about St Maarten much in Curaçao. The reasons are legion.

St Maarten politics are different, the culture is different, geographically it is different. Celebrities like Robert Redford, Diana Ross and John MacEnroe go to St Maarten. They don't go to Curaçao. They have hurricanes in St Maarten, rarely in Curaçao.

For more than 300 years, with a short interval during the Napoleonic wars when the British were in occupation, St Maarten has been an island with two administrations. The Spanish discovered it but it was the Dutch and the French who fought over it. Its only resource was salt. The Dutch needed salt for their herring industry.

The island changed hands 16 times between rival European powers before the Dutch and the French decided to divide it between them. Legend says that a Dutchman and a Frenchman were appointed to walk around their island in opposite directions, the dividing line being drawn from the starting point to the point where they met again. The Frenchman must have had a faster pair of heels because the French were left with 21 square miles and the Dutch with 16.

The island could prove perfect for money laundering

Only the ends of a wall by the roadside remain to mark the border, but it is still a border and any hot pursuit of a criminal, for example, must end there. The Netherlands has no extradition treaty with France. While there was an extradition provision drawn up within the original treaty dividing the island, it tends not to be observed.

Mostly, however, the two police forces co-operate with each other. In one case a man wanted for raping a tourist on the Dutch side was caught thieving on the French side. The Dutch police tipped off the French police that he was the man they were seeking so the French took him and deposited him on the Dutch side of the border just as the Dutch police happened to be passing.

A Dutch judge later freed the man on a technicality. The Dutch judiciaries who come across to administer justice in the island are regarded as too lenient by the local population, particularly in the face of drugs offences.

Colonial protocols have left a number of absurdities within the island. Each half has separate water purification plants, electricity sub-stations, and police forces.

The population lives in harmony, there are no border controls, all the tourists use the same airport out of Philipsburg on the Dutch side and the cultural differences enrich the society. The respective administrations, however, remain in the cumbersome grip of colonial control.

When the Dutch Lieutenant Governor needs to speak to the French *sous prefet*, he must go throught the correct channels. That means the communiqué goes to Willemstad in Curaçao, on to The Hague in the Netherlands, from there to Paris and from Paris, through Guadaloup to the French side of St Maarten.

The practicalities of this means that laissez faire appears to be the only guiding rule to the running of the islands where politics on the Dutch side have been dominated for the last 34 years by Mr Claude Wathey.

St Maarten, under the paternal control of 63-year-old Mr Wathey – they call him "Ol' Man" – has changed from a poor community that once depended heavily on Curaçao for employment into a wealthy island courted by the beautiful people.

While St Maarten's islanders have never had it so good, the island is faced with a chronic infrastructure problem brought about by a lack of planning controls. While multi-million pound hotel developments have been allowed – some of the more exclusive hotels charge up to $1,000 a night – the hotels have contributed little to the island's upkeep. Very few taxes are collected there. One problem is that, until three years ago, there were no street names.

There is no duty on imported goods and therefore no customs. This makes St Maarten a popular thoroughfare for drugs, both into Europe and elsewhere in the Caribbean. Police do make spot checks and recently turned up an 80kg consignment on a boat.

More recently an increasing worry in the Netherlands is that the island could prove a perfect money laundering centre. It has casinos, shops and hotels – all the kinds of businesses that can throughput large amounts of cash without questions. A year or two ago a man was arrested in his hotel room, with $5.5m in cash, stuffed into suitcases. "It wasn't his holiday money," said one of St Maarten's locals.

The Antilles federal government has asked the Dutch and Italian governments to investigate allegations that one of St Maarten's wealthiest businessmen has mafia connections. The allegations have not been appreciated on the island, particularly since the businessman has a wide circle of political contacts in the highest strata of St Maarten society.

Mr Wathey himself is used to allegations of impropriety. It seems to worry neither him nor any of his sons who are all comfortably established in business on the island. His political power now appears to be on the wane but he is still revered among the locals used to Caribbean politics.

The islanders retain a strong sense of loyalty and gratitude for his efforts in dragging St Maartin into the 20th century. It was Mr Wathey who introduced old age pensions, Mr Wathey who stood up for the island when it was in danger of being dominated by its big brother Curaçao, in the south. He has always been a man of the people.

The administrative laxity does, however, concern The Hague which has sent out a team of tax inspectors to establish an effective way of collecting revenues.

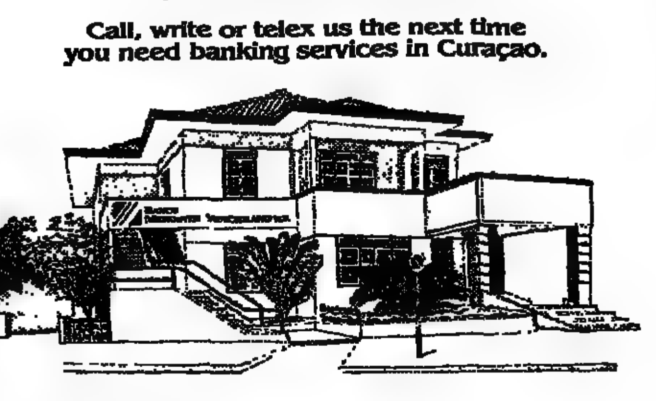
It would be misleading to suggest that St Maarten is rotten to the core. There are many hard-working, upstanding citizens who care about its upkeep.

The St Maarten business community, centred upon the Rotary Club, is doing its best to rid the island of its drugs image, although a planning policy which has allowed one cassino per square mile has not helped a sleazy image which it does not deserve.

Philipsburg retains, just, the old world charm of Chinese restaurants and a few colonial houses. The Pasangran Hotel, with its whitewashed rooms, ceiling fans, lattice work and verandas is the sort of place that could easily have graced a Humphrey Bogart film.

The casinos are not universally appreciated and people are beginning to tire of the traffic problems and the litter strewn in the lagoon. The beaches are clean and the beautiful people are still happy but there is a clear need to clean up the administration. As a Curaçao financial director put it: "Everybody knows that on St Maarten strange things happen."

Richard Donkin



FINANCIAL TIMES
1990 RELATED SURVEYS

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BUSINESS LAW

Europe's myriad merger rules

By Peter Kennerley

EUROPEAN cross-border merger and acquisition activity reached record levels during the second quarter of 1990. The number of deals (384) and their total value (Ecu 17.8bn) indicates that businesses are continuing to seek strategic investments in readiness for the forthcoming single market.

The EC's preparations for 1992 have done little to harmonise the regulation of such deals, however. The question of how easy a proposed acquisition is likely to be, will continue to be determined by the countries in which the companies involved operate.

The principal factor in determining whether a particular transaction will succeed is likely to be the management philosophy and ownership structure of the proposed target company, rather than any specific regulations designed to cover takeover activities.

In this respect, the position of companies in the UK and Ireland contrasts sharply with that of other European companies. In the UK a high proportion of leading businesses are listed companies; the total market capitalisation of listed companies is more than the aggregate market capitalisation of the principal stock exchanges in France and West Germany combined.

It is estimated that 65 per cent of the shares of these UK companies are owned by institutional investors, who will be keen to maximise the investment returns. The interests of the company are generally equated with those of its shareholders and the UK regulatory regime encourages an unrestricted market in shares of public companies. As a result both management and shareholders are likely to be receptive to a transaction which will enable shareholders to sell their shares in a company if an acceptable premium is offered.

In contrast, unlisted companies predominate in most continental European countries; these companies are likely to be characterised by dominant family shareholdings, or cross shareholding arrangements with other companies, and a greater degree of bank participation, whether through debt or equity.

By nature, their shareholders tend to identify more closely with their companies. In some countries, for example, France, Italy and Portugal, many businesses are subject to a substantial degree of state ownership; and in others, most noticeably West Germany and the Netherlands, greater emphasis tends to be given to the interest of creditors and employees.

Also in West Germany and the Netherlands, two-tier board structures, mandatory for most large companies, make it difficult to force a change of directors, and the views of employee representatives on certain transaction may also need to be sought.

The combined effect of these factors is that not only the management, but also the shareholders, of a continental European company will be much less ready than their UK counterparts to agree to a takeover from a third party.

Instead, where some form of business combination is seen as desirable, they may often prefer an arrangement which falls short of giving outright control, for example, the cross shareholding arrangements between Guinness and LVMH.

Companies outside the UK have also increasingly looked to erect further defences (for example, shareholding or voting limitation, weighted voting rights and the consolidation of control in friendly hands) to supplement barriers arising naturally from the existing structure of the business. In the UK, such defences are likely to be precluded by stock exchange listing requirements, or otherwise objected to on the grounds that they are not in the interest of shareholders.

Amendments to the proposed Fifth Company Law Directive on the structure and management of larger types of EC companies would limit the scope of many structural defences, but even if implemented it is difficult to see that the transfer of controlling shareholdings in European companies will become as practicable as in the UK.

Regulatory factors will also determine whether it will be practicable for a foreign investor to make an acquisition in a particular country; these include whether there are general restrictions on foreign investors or investment in a particular industry; competition law; and the regulations governing the conduct of acquisitions themselves.

West European countries do not generally prohibit the acquisition of shares of foreigners, but consent may be required under exchange or foreign investment control regulations. The only countries free of general restrictions affecting acquisitions by foreigners are Denmark, Italy, The Netherlands, Spain, the UK and West Germany.

Regulations applicable to particular industries may impose restrictions either on all acquisitions or on acquisitions by foreigners only; the defence industry, the media and financial services are the most common examples.

The recently introduced EC Merger Regulation falls far short of the principle of "one-stop" control for all EC mergers

The approach of European countries to merger control varies considerably between individual countries and the European Commission has long been pressing for agreement for a mechanism under which competition issues can be considered under Community-wide criteria.

The EC Merger Regulation, which came into effect last Friday, provides for vetting of large transactions on competition grounds at Community level. However, as a result of a number of exceptions and last minute compromises, the Regulation falls far short of the principle of "one-stop" control for all EC mergers.

The turnover thresholds which trigger the regulation are to be reviewed in 1993, but meanwhile it is estimated that only between 40 and 50 transactions a year will fall within its ambit. The vast majority of transactions will escape the regulation and will still fall to be dealt with under the domestic merger control laws of the member states affected.

There may well be difficulties with the new Regulation in practice. It remains to be seen whether the Commission will be able to work within the time periods envisaged in the context of a big transaction.

The great majority of European companies do not have wide public shareholdings. As a result most mergers or acquisitions will be made by way of private agreement between the selling company or group of shareholders and the buyer. Takeover regulations are, in most cases, irrelevant.

In the UK, out of the 238 cross-border transactions recorded in 1989, only 64 involved public offers of quoted targets; outside the UK only 24 public offers were recorded.

It is also worth noting that, of these, only a small proportion were hostile. The countries with the most developed system of regulation for the conduct of public offers are the UK and Ireland, where public takeovers have historically been far more common, and where the non-statutory Panel on Takeovers and Mergers has overseen the conduct of public takeovers for over 20 years.

Other countries, for example Belgium, France and Spain, Italy and Portugal, have introduced or are introducing legislation. The proposed 13th Company Law Directive, in its current form, would require statutory regulation for the conduct of public offers in member states.

In many aspects, the regulation will simply reflect the existing principles of protection offered by the UK Code and available in some other states. However, there is concern in the UK that statutory regulation will prove too inflexible for the securities markets and in practice lead to a much lesser degree of shareholder protection than is currently afforded by the non-statutory Panel.

In spite of the approach of 1992, the patchwork of legal and non-statutory regulation currently in place throughout Europe is likely to remain for the foreseeable future.

M & A Statistics have been provided by Translink. The author is a partner in City solicitors Simmons & Simmons and a former Secretary of the Panel on Takeovers and Mergers.

COMMODITIES AND AGRICULTURE

New aid package agreed for French farmers

By George Graham in Paris

THE French government yesterday put forward a new programme of emergency aid for farmers hit by drought and falling meat prices.

The main element is the creation of a FFr1.4bn (£142.9m) fund, financed by the Crédit Agricole mutual bank, to help restructure the debt of farmers in difficulty.

The government, which announced a first FFr1.3bn aid programme a month ago, will raise by 4 per cent the special indemnity paid to sheep and beef farmers in mountainous areas, and will accelerate its procedures for tax relief on lost crops, at a budget cost of FFr200m.

Several agricultural co-operative organisations, such as Unigrains and Sofiproteol, have decided to provide another FFr100m to help cereal and oil seed farmers hit by the drought.

The new Crédit Agricole debt relief fund will be operational by October 15, Mr Henri Nallet, the agriculture minister, said last night. The bank, whose local boards are mainly controlled by farmers, will put up FFr200m this year and FFr400m a year over the three following years.

Crédit Agricole officials have come under fire from the government in recent weeks for not accepting their share of the burden in helping farmers out of their difficulties.

The bank no longer has a monopoly on the distribution of subsidised agricultural loans, but it still retains some other privileges, such as the exclusive right to the obligatory deposits of notaries in rural areas. The new debt relief fund will be financed from the earnings on these notaries' deposits, which total around FFr20bn.

Yesterday's aid package appears to be the last word from a government which has become increasingly irritated with a series of violent attacks by angry farmers, who last week burnt the official car of Mr Georges Sarre, the road transport minister, and forced Mr Michel Rocard, the prime minister, to escape from a meeting by helicopter.

Energy exchange to close

By Ronald van de Krol in Amsterdam

THE ROTTERDAM Energy Futures Exchange (Roefex) announced yesterday that it would soon be closing its doors, just a month short of its first anniversary.

The exchange, which hoped to develop into a serious competitor to the International Petroleum Exchange in London when it was set up in late October 1989, said in a statement that it was continuing to run up losses and that there was little prospect of improvement.

Open contracts would be closed out as soon as possible, it said, without giving details.

Roefex was plagued by difficulties from the outset, and its demise had been expected for some time in the oil market. Two of its three futures contracts – those for crude oil and fuel oil – were scrapped after only a few months of negligible trading, leaving only a gas oil contract, which itself attracted very little business.

Even in periods of turbulence on the world oil market, Roefex's gas oil volume was usually well below 100 contracts a day, compared with more than 15,000 a day at the London exchange.

Its total staff numbered only seven.

Protection sought by coffee exporter

By Simon Fisher in Rio de Janeiro

ONE OF Brazil's biggest coffee exporters has filed for court intervention with debts estimated at more than US$100m (£53.5m). Inter-Continental de Cafe is the most important Brazilian exporter yet to be affected by the sharp fall in price since the collapse of the International Coffee Agreement (ICA) in July 1989.

Last year, Inter-Continental was left holding stocks of around 700,000 bags (60kg each) to meet quota contracts which were subsequently cancelled. The market slump since then pushed the stock up to as much as 1m bags and the high cost incurred finally forced the company to seek judicial intervention.

Inter-Continental also suffered loses from operations in soyabeans and on the Rio de Janeiro stock market.

For 20 years, Inter-Continental was among Brazil's top five coffee exporters. In 1988 it led the sector, but sales fell by more than 40 per cent in 1989 while the company's indebtedness soared to over 80 per cent.

In the first six months of 1990 Inter-Continental's share of Brazilian exports slumped to just over 0.5 per cent, according to the Rio de Janeiro Coffee Trade Centre.

Although Mr Carlos Calmon, president of the Brazilian Federation of Coffee Exporters, said that Inter-Continental's difficulties were localised, two smaller companies have been forced to apply for court intervention since last year.

The collapse of Inter-Continental comes as Brazil faces criticism for failing to produce a clear policy on coffee, and may exacerbate differences between growers and traders over the need for a new quota system. Brazilian producers are apparently hoping that as world stocks are reduced, prices may recover next year without a formal agreement to replace the ICA.

Sweden's iron ore giant rises from its deathbed

Robert Taylor on the major surgery that saved Europe's only major producer from oblivion

THIS YEAR Luossavaara-Kiirunavaara, better known as LKAB, Sweden's state-owned iron ore mining company, celebrates its 100th birthday in an optimistic mood about its future after a period between 1976 and 1982 when it looked as though it was on the road to oblivion.

"We became one of the problem children of Swedish industry," admits Mr Wiking Sjöstrand, LKAB's president, who has spent 30 years of his working life with the company and retires next June, "but now our crisis is over."

Despite worrying signs of recession in the US and elsewhere, the company remains surprisingly optimistic about its immediate outlook. A company official said yesterday: "We can see no decrease in demand at this point in time for our products." LKAB believes it will benefit from German unification and a growth in demand in that market for steel.

LKAB is western Europe's only major iron ore producer and operates the world's largest underground iron ore mine at the town of Kiruna within the Arctic circle.

Visiting the mine is an awe-inspiring experience, as one drives along its high, cold tunnels that cover an estimated 400 km to the iron ore face. Only about half LKAB's workers mine underground in what are mostly lonely jobs that nowadays require greater technological expertise operating automated machinery and computers than physical strength.

It is not surprising that Kiruna iron ore workers have some of the best paid blue-collar jobs in Sweden. Twenty years ago they shook the country by launching an unofficial strike aimed as much against their union leaders as LKAB. Now the survivors recognise that they have taken part in a surprising success story.

Such is the optimism now around LKAB that even a partial privatisation of the company – state-owned since 1957 – is seen as a distinct possibility in the near future as part of the wider restructuring of Sweden's state industry sector, when the company will be brought under the overall responsibility of a new state holding group.

Mr Sjöstrand actually talks enthusiastically about the eventual flotation of the company on the stock market. "I believe in steel," he declares. "The 1990s will be good for the industry." The board has to decide shortly whether to invest in a further extension of its iron mining production to a new layer underground. But there seems little doubt that it will go ahead with an investment of around SKr1.5bn (£140m). LKAB's ore deposits are estimated to be sufficient for another 100 years.

Last year the company enjoyed a 68 per cent improvement in its profits (after financial items) with a rise to SKr305m from SKr123m in 1988. And it forecasts that the figure will more than double this year, mainly because of the higher US dollar exchange rate which favours its ore prices in the market place.

The prospects looked quite different 14 years ago, mainly because of a fall in demand for iron ore from the European steel industry in the aftermath of the quadrupling of oil prices in 1974. LKAB fell into heavy financial losses that lasted for seven years and averaged an annual SKr500m.

In part, the troubles stemmed from the vulnerability of the company to its short-term contractual relations with its main business customers on the fluctuating spot market.

But LKAB also suffered from troubles of its own making. "Our product was simply not good enough," admits Mr Sjöstrand. "The ore had too many alkaline impurities and phosphorus content. Our pellets were not of the best quality. We were trying to sell what was becoming unsaleable."

"We were on the edge of dying," he asserts. "If we had gone under it would have been the end of Kiruna."

Painful decisions had to be taken and the politicians in Stockholm were made to face economic realities. LKAB's annual production capacity was halved from 31m to 15m tonnes and the company cut its size accordingly.

The workforce was reduced by more than half from 8,074 in 1978 to 3,789 last year, not an easy decision to take in an area where alternative work was difficult to find. In fact, thanks to the Swedish training and manpower planning system most workers affected were redeployed in 1982-1983. The government helped by launching a relatively successful campaign to attract new companies into the region.

Fresh emphasis was also placed on improving productivity. Thanks mainly to a heavy investment in new machinery, it rose from 2,200 tonnes of production per worker in 1983 to 5,000 tonnes five years later. Mr Sjöstrand expects to see further improvements during the 1990s with more manpower reductions through natural wastage. More and more mine operations are automated and require fewer people to run them. The era of the workerless mine may not be long in coming.

LKAB also decided to cut its costs by reducing its stock holdings of iron ore and pellets, which had been an added cost burden. Back in 1976 the company found itself with 15m tonnes of stock; now the total averages 2m tonnes over the year.

There has also been a determined effort to slash massive transport costs for the movement of the iron ore and pellets from Kiruna, mainly by rail to the Norwegian port of Narvik but also to Lulea on the Swedish coast on the Gulf of Bothnia.

More and more mine operations are being automated and less than half LKAB's employees now work underground

Under threat of the board's resignation the government put enormous pressure on the Swedish state railways in 1984 to reduce its excessive charges on LKAB for transporting the ore and pellets, but Mr Sjöstrand still grumbles about the refusal of the Norwegian authorities to take similar action for their small section of the railway from the Swedish border down the beautiful fjord to Narvik harbour.

Sjöstrand admits that LKAB's dramatic revival in the 1980s was helped by the introduction of greater stability into the market through the introduction of three to five year supply agreements with its business customers.

The company also launched a drive to improve the quality of its processed iron ore pellets with the introduction of the olivine pellet, which enables steel mills to cut their coke consumption and produce less slag waste. Its arrival on the market came at a fortunate moment for LKAB as it coincided with an upswing in customer demand. Increasingly since the 1980s pellets have been replacing raw ore as the company's main product.

With a turnover of SKr3.6bn last year, LKAB invests an estimated SKr500m a year in new plant and machinery. In the recent past, Swedish state support was crucial for the company in its continuing modernisation. As much as SKr5bn was pumped into the company in the way of subsidies to keep it afloat between 1978 and 1983.

"I have never seen a period when technical changes have been greater in the industry," says Mr Sjöstrand. He is keen to emphasise that LKAB is not a mere supplier of raw materials for industry but "a partner to the steel producers in quality and technological development."

Adding value to the iron ore gives the company its "greatest competitive strength," he argues, explaining that it is LKAB's ability to provide high added value capacity to the ore before it is delivered to the customer that has given the company a competitive edge in Europe.

A new emphasis has also been placed on LKAB's sales and marketing in a concerted effort to win back lost markets from major rivals like Brazil, Canada and Australia. The company's comparative costs look increasingly competitive as the difference in transport charges has been narrowed with the rise of sea freight charges.

But Sjöstrand is not without his worries. He has warned the government more than once that Sweden's commitment to shut down its nuclear power plants will have a devastating impact on LKAB. "I have told them we face closure if they go ahead with their plan," he says. "If the price of electricity doubles it will kill us with a rise of SKr500m a year in our costs."

Lead smelter to reopen early next year

By Bernard Simon in Toronto

COMINCO NOW expects its the restart of its new but trouble-plagued lead smelter at Trail, British Columbia to be delayed until early 1991, by which time it will have been out of commission for almost a year.

The QSL smelter, which is designed to lower operating costs with significant environmental improvements, was first commissioned last December but was shut down for modifications in March after encountering boiler leaks and other process and mechanical difficulties.

Changes have been made to the reactor, drossing, slag granulation, boiler and ventilation processes. Cominco said the capital cost of the modifications was about C$18m (£520m).

The project manager is Lurgi, the West German engineering group.

The smelter was expected to be brought back into service next month but the increased scope of the work and long lead times for some equipment contributed to the delay.

Cominco said that lead production from the old smelter at Trail has been stepped up to about 80 per cent of traditional levels and will be maintained at those levels until the QSL smelter is fully operational. Trail produced 103,500 tonnes of refined lead last year, but output has been reduced this year by the smelter problems.

Norway suspends negotiations on gas supply deal

By Karen Fossli in Oslo and Robert Taylor in Stockholm

NORWAY HAS suspended its negotiations on a plan to supply natural gas to Sweden until next February at the latest to allow time for the Swedish government to reach agreement on its energy policy.

The two countries have been discussing a natural gas deal for five years and started formal negotiations in 1989 on a proposal that Sweden would import a minimum volume of 2.5bn cubic metres of Norwegian gas from the mid-1990s.

These talks were based on an assumption that the ruling Social Democrats intended to go ahead with their plan to phase out the country's nuclear energy industry by 2010, with the closure of the first two reactors due to take place in 1995-1996. It is now unlikely that this timetable will be kept.

Mr Ingvar Carlsson, the Swedish prime minister, is trying to establish a broad consensus on energy policy with the other political parties. It is widely expected that he will seek a deal with Mr Bengt Westerberg, the Liberal leader, involving a postponement of the start of the rundown programme.

Last week's Social Democratic party congress revealed divided views but a motion was passed which gave Mr Carlsson a free hand to negotiate by dropping insistence that the nuclear plant closures should start in 1995-1996.

Mr Snorre Jensen, a gas division executive with Statoil, the Norwegian state oil company, said that the resumption of talks with Sweden by next February was conditional on a resolving of the current uncertainties in Swedish energy policy.

Negotiations have been going on between Norway and Sweden since last year on the joint financing of a gas pipeline between the gas fields in the Norwegian North Sea and Sweden, while talks within the Nordic Council have begun on the creation of an integrated and self-sufficient Scandinavian gas market by 2010.

But the high costs involved in the production of Norway's gas, as well as the construction of a gas transport infrastructure for the region, has added to uncertainties about just how important natural gas should be in its energy mix.

WORLD COMMODITIES PRICES

MARKET REPORT

Gold closed slightly ahead on the London bullion market yesterday after dipping below $400 a fine ounce earlier in the day. Traders said gold's volatility was directly linked to the fluctuations in crude oil prices. "It hasn't really tested the $400 level...there is good buying support below that level," one trader said. Gold futures on Comex were also volatile: by midsession the active December contract was at $412 an ounce after dipping to $404 earlier. In London platinum declined sharply as high oil prices were expected to discourage demand from carmakers for catalytic converters. The metal closed at $446.75 an ounce, off $14.85. Platinum futures on Nymex were down at midsession – traders cited Japanese selling pressure following steep losses in the stock market. On the LME copper prices closed ahead, but failed to hold earlier gains as broker profit taking and stale-bull liquidation emerged following a sharp downturn in Comex values after a firmer opening, traders said. Aluminium prices steadied after retreating earlier. Traders said this week's sharp fall may have been overdone and short covering along with fresh buying had been attracted by the lower levels.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$33.95-4.10y	+0.35
Brent Blend (dated)	$40.25-0.35	+0.10
Brent Blend (November)	$38.05-8.15	+0.25
W.T.I. (1 pm est)	$36.40-8.42y	+0.52

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$435-440	-6
Gas Oil	$338-339	-6½
Heavy Fuel Oil	$139-141	-1
Naphtha	$382-386	+5
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$405.375	+1.125
Silver (per troy oz)♣	482c	-7
Platinum (per troy oz)	$446.75	-14.85
Palladium (per troy oz)	$99.75	-3.30
Aluminium (free market)	$2035	
Copper (US Producer)	132¼c	
Lead (US Producer)	50c	
Nickel (free market)	470c	
(Kuala Lumpur market)	15.67r	+0.02
(New York)	283.0c	+6
(US Prime Western)	81.0c	-8.5
(live weight)†	100.43p	+0.51*
(dead weight)†	131.22p	+9.88*
(live weight)†	78.40p	-2.28*
daily sugar (raw)	$279.4v	-1.2
daily sugar (white)	$312.0v	+1.0
and Lyle export price	£269.5	+1.5
(English feed)	£115w	
(US No. 3 yellow)	£150.5w	+0.5
(US Dark Northern)	£90.0w	
(Nov)♥	53.50p	
(Dec)♥	58.75p	
(KL RSS No 1 Oct)	239.0m	+0.5
oil (Philippines)§	$277.5v	
(Malaysian)§	$282.5w	
Philippines)§	$197.5t	-2.5
ns (US)	£146	
A" Index	80.40c	+0.10
(64s Super)	438p	

unless otherwise stated. p-pence/kg. r-ringgit/kg. q-Sep/Oct. t-Dec. u-Oct/ /Nov. w-Oct z-Aug/Sep y-Nov. †Meat on average fatstock prices. * change eek ago. ♥London physical market. rdam. ♣ Bullion market close. m-Ma- nts/kg.

COCOA – London FOX	Close	Previous	High/Low (£/tonne)
Sep	727	725	736 727
Dec	750	749	764 749
Mar	786	786	801 784
May	807	806	[illegible]
Jul	827	826	840 826
Sep	847	846	855 846
Dec	874	871	875 872

Turnover: 3295 (2930) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Sep 25 981.77 (981.77) 10 day average for Sep 26 983.76 (982.67)

COFFEE – London FOX	Close	Previous	High/Low (£/tonne)
Sep	576	574	577 571
Nov	590	601	605 597
Jan	615	618	620 612
Mar	612	612	615 610
May	625	628	628 621
Jul	634	635	639 636
Sep	651	645	654 652

Turnover: 2978 (5396) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Sep 25: Comp. daily 74.17 (73.68). 15 day average 75.55 (75.05)

POTATOES – BFE	Close	Previous	High/Low (£/tonne)
Apr	139.4	138.5	[illegible] 134.0
May	[illegible]	148.4	155.0 148.0

Turnover 295 (28) lots of 40 tonnes.

SOYABEAN MEAL – BFE	Close	Previous	High/Low (£/tonne)
Dec	115.00		

Turnover 6 (75) lots of 20 tonnes.

FREIGHT FUTURES – BFE	Close	Previous	High/Low ($10/index point)
Oct	1205	1198	1220 1180
Jan	1280	1208	1245 1195
Apr	1216	1205	1220 1205
Jul	1100		1100
BFI	1170	1175	

Turnover 565 (180)

GRAINS – BFE (£/tonne)	Close	Previous	High/Low
Wheat			
Nov	114.60	113.80	114.65 114.00
Jan	118.65	[illegible]	118.65 118.30
Mar	122.20	121.50	122.15 121.75
May	125.60	125.20	125.80 125.45
Barley			
Nov	113.10	112.35	113.10 112.60
Jan	117.15	116.40	[illegible]

Turnover: Wheat 295 (148), Barley 57 (67). Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg	Close	Previous	High/Low
Oct	107.0	108.0	107.0 106.0
Nov	104.0		104.0 103.0
Mar	101.0		100.0
Apr	101.0		[illegible]

Turnover 36 (11) lots of 3,250 kg

SUGAR – London FOX ($ per tonne)	Close	Previous	High/Low
Raw			
Oct	246.40	248.60	248.40 246.00
Dec	241.00	237.40	246.00 241.00
Mar	236.60	241.60	241.60 236.00
May	238.00	240.00	241.60 238.00
Oct	236.00	239.00	242.00 236.00
Dec	237.00	238.20	237.00
White			
Dec	307.2	308.0	309.0 307.2
Mar	305.8	308.7	309.0 305.7
May	307.0	306.0	309.0 307.0
Aug	315.0	313.0	316.7 315.0
Oct	308.5	307.5	310.0 308.5
Dec	307.0	307.0	307.0
Mar	310.0	310.5	310.0

Turnover: Raw 4446 (3000) lots of 50 tonnes. White 1775 (1025)
Paris- White (FFr per tonne): Dec 1624 Mar 1633, May 1643, Aug 1655, Oct 1655

CRUDE OIL – IPE ($/barrel)	Close	Previous	High/Low
Nov	37.95	37.10	38.20 35.50
Dec	36.24	35.45	36.50 34.00
Jan	34.55	33.75	34.50 32.70
Feb	33.20	33.25	[illegible]
IPE Index	36.11	37.10	38.81 34.41

Turnover: 16004 (19462)

GAS OIL – IPE ($/tonne)	Close	Previous	High/Low
Oct	329.50	335.25	333.75 315.50
Nov	322.25	327.00	325.50 306.00
Dec	314.75	320.50	319.50 301.50
Jan	305.00	310.25	307.00 295.00
Feb	291.00	298.25	294.00 286.00
Mar	282.00	282.00	276.25 273.00
Apr	280.00	270.00	256.00 259.00

Turnover 17594 (16451)lots of 100 tonnes

WOOL
The Australian Wool Corporation has been buying even larger amounts in support of the floor price at this week's auction. The percentage has risen to around 75pc. If no alterations are made this mean AWC stock of four million bales by the end of October, and over 4½ million before Christmas. New policy decisions are believed imminent. Excess supplies apply in all producing countries, including the UK where the Marketing Board is also accumulating unwanted stocks in downwardly flexible floor price support. The trade remains depressed by all this, operating hand-to-mouth and with extreme caution.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 20,294 lots
Cash	2005-10	1980-5	1985/1983	1980-3		
3 months	1995-6	1895-900	1910/1845	1895-900	1903-5	72,0[illegible] lots
Copper, Grade A (£ per tonne)						Total daily turnover 34,905 lots
Cash	1490-501	1475-8	1514/1490	1504-5		
3 months	1457-8	1448-4	1489/1455	1480-2	1454-5	111,045 lots
Lead (£ per tonne)						Total daily turnover 3,842 lots
Cash	425-5	429-31	426	426-9		
3 months	437-8	443-4	446/435	440.5-1	435-7	10,[illegible] lots
Nickel ($ per tonne)						Total daily turnover 2,143 lots
Cash	10550-650	10350-400	10700	10700-25		
3 months	10150-200	10075-100	10350/10130	10250-300	10175-200	9,050 lots
Tin ($ per tonne)						Total daily turnover 2,488 lots
Cash	5990-5	5900-20	5900/5895	5990-5		
3 months	6105-10	6010-60	6150/6020	6020-5	6140-50	7,267 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 4,470 lots
Cash	1410-2	1430-5	1443/1440	1440-2		
3 months	1383-5	1392-3	1403/1382	1399-400	1395-400	19,[illegible] lots

LME Closing £/$ rate: SPOT: 1.8865 3 months: 1.8[illegible] 6 months: 1.8[illegible] 9 months: 1.7[illegible]

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	405-405½	217-217½
Opening	404¼-405¼	216¾-216¼
Morning fix	401.75	214.725
Afternoon fix	402.70	215.600
Day's high	405½-406	
Day's low	399½-399¼	

Coins	$ price	£ equivalent
Maple leaf	417-422	223-226
Britannia	417-422	223-226
US Eagle	417-422	223-226
Angel	417-422	223-226
Krugerrand	404-407	216½-218½
New Sov.	95-98	50¾-51½
Old Sov.	95-98	50¾-51½
Noble Plat	452.10-459.30	242.00-245.85

Silver fix	p/fine oz	US cts equiv
Spot	258.90	482.50
3 months	263.75	492.00
6 months	277.70	502.40
12 months	288.00	523.10

TRADED OPTIONS

Aluminium (99.7%)	Calls Nov	Calls Jan	Puts Nov	Puts Jan
Strike price $ tonne				
1900	205	111	20	74
1950	133	67	47	127
2000	79	37	91	165
Copper (Grade A)				
2600	165	130	32	93
2700	102	85	67	146
2800	57	58	121	211
Coffee	Nov	Jan	Nov	Jan
550	62	76	3	11
600	19	43	20	28
650	4	23	55	68
Cocoa	Dec	Mar	Dec	Mar
700	69		19	
750	40	62	40	47
800	22	58	72	73
Brent Crude	Nov	Dec	Nov	Dec
3000				
3050				
3100		40		

New York

GOLD 100 troy oz.; $/troy oz.	Close	Previous	High	Low
Sep	408.6	402.4	0	0
Oct	407.8	402.8	409.0	399.3
Nov	410.0	405.3	0	0
Dec	412.8	407.6	414.0	404.1
Feb	417.4	412.1	418.5	409.5
Apr	421.8	416.4	422.0	413.0
Jun	426.4	420.9	426.5	[illegible]
Aug	430.7	425.1	430.0	425.0
Oct	435.7	430.0	434.3	428.8

PLATINUM 50 troy oz; $/troy oz.	Close	Previous	High	Low
Oct	449.8	451.8	450.5	440.0
Jan	454.7	458.8	457.5	448.0
Apr	460.6	464.6	460.8	457.0
Jul	466.3	470.3	466.5	465.8
Oct	471.6	0	0	0

SILVER 5,000 troy oz; cents/troy oz.	Close	Previous	High	Low
Sep	479.8	488.4	480.8	474.5
Oct	479.6	484.0	0	0
Nov	483.4	487.8	0	0
Dec	487.3	491.5	489.5	487.9
Jan	489.8	493.9	0	0
Mar	498.1	502.0	501.0	498.8
May	505.5	509.3	505.0	500.0
Jul	513.0	516.7	514.8	508.0
Sep	520.8	524.8	520.0	520.0
Dec	531.9	535.7	533.7	530.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs	Close	Previous	High	Low
Sep	128.50	129.20	135.00	128.50
Oct	124.90	133.50	126.00	123.00
Nov	121.00	120.20	0	0
Dec	117.80	117.20	118.60	115.40
Jan	115.50	115.60	115.00	114.30
Mar	113.30	113.50	113.20	110.70
Apr	111.10	111.10	111.00	111.00
May	109.80	109.80	111.00	109.50
Jun	108.85	108.60	0	0
Jul	107.40	107.40	108.10	108.00

CRUDE OIL (Light) 42,000 US galls $/barrel	Close	Previous	High	Low
Nov	36.67	37.53	39.05	35.39
Dec	37.13	36.07	[illegible]	35.10
Jan	35.64	34.78	35.80	33.75
Feb	[illegible]	33.60	[illegible]	32.60
Mar	32.84	32.35	33.00	31.45
Apr	31.88	31.25	31.80	30.25
May	30.61	30.25	30.70	[illegible]
Jun	29.64	[illegible]	29.75	28.75
Jul	28.84	28.93	28.80	27.65
Aug	28.19	28.08	28.30	27.06

HEATING OIL 42,000 US galls, cents/US galls	Close	Previous	High	Low
Oct	10257	10130	10400	9950
Nov	10372	10177	10490	9990
Dec	10477	10229	10520	9960
Jan	[illegible]	10112	10375	9860
Feb	9611	9842	9900	9390
Mar	9311	9102	9340	8960
Apr	8836	8732	8825	8512
May	8466	8382	8450	8300
Jun	8236	8152	8230	7950
Jul	8116	8042	8100	7850

COCOA 10 tonnes;$/tonnes	Close	Previous	High	Low
Dec	1274	1286	1285	1271
Mar	1315	1330	1325	1315
May	1346	1363	1350	1345
Jul	1378	1393	1378	1378
Sep	1409	1424	1413	1413
Dec	1442	1457	0	0

COFFEE "C" 37,500lbs; cents/lbs	Close	Previous	High	Low
Dec	94.35	94.65	95.30	94.10
Mar	97.30	97.70	98.25	97.20
May	99.60	99.95	100.25	99.60
Jul	101.55	101.85	102.25	101.30
Sep	103.55	104.40	104.00	103.50
Dec	105.50	105.85	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs	Close	Previous	High	Low
Oct	10.62	11.06	11.05	10.80
Mar	10.58	10.85	10.82	10.57
May	10.60	10.85	10.82	10.59
Jul	10.60	10.84	[illegible]	10.59
Oct	10.66	10.89	10.82	10.76

COTTON 50,000; cents/lbs	Close	Previous	High	Low
Oct	73.70	74.00	74.00	73.55
Dec	72.28	[illegible]	72.30	71.50
Mar	73.40	72.86	73.40	72.58
May	73.90	73.58	73.90	73.10
Jul	74.07	73.60	74.15	73.60
Oct	69.60	68.75	68.90	69.90
Dec	67.95	67.85	67.85	67.80

ORANGE JUICE 15,000 lbs; cents/lbs	Close	Previous	High	Low
Nov	136.70	135.10	136.70	135.05
Jan	132.40	130.60	[illegible]	130.90
Mar	132.40	131.50	133.00	131.00
May	132.10	131.00	0	0
Jul	132.10	131.50	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)	Sep 26	Sep 25	mnth ago	yr ago
	1782.4	1773.9	1791.3	1872.0

DOW JONES (Base: Dec. 31 1974 = 100)	Sep 21	Sep 20	mnth ago	yr ago
Spot	130.26	[illegible]	132.23	129.97
Futures	131.43	129.95	[illegible]	130.17

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel	Close	Previous	High	Low
Nov	615/4	617/4	618/6	612/4
Jan	630/0	632/0	633/0	627/0
Mar	642/2	644/6	645/4	640/0
May	651/2	653/4	654/6	649/0
Jul	658/2	661/0	661/2	655/0
Aug	654/0	657/0	656/4	654/0
Sep	633/0	635/0	0	0
Nov	624/6	626/6	627/0	624/0

SOYABEAN OIL 60,000 lbs; cents/lb	Close	Previous	High	Low
Oct	23.46	23.59	23.65	22.46
Dec	23.75	23.78	23.91	23.69
Jan	24.00	24.00	24.15	23.96
Mar	24.27	24.28	24.40	24.23
May	24.47	24.46	24.50	24.40
Jul	24.65	24.50	24.55	24.50
Aug	24.40	24.35	24.50	24.40
Sep	24.10	24.20	24.10	24.10

SOYABEAN MEAL 100 tons; $/ton	Close	Previous	High	Low
Oct	176.5	176.6	177.2	175.2
Dec	181.8	181.5	182.3	180.1
Jan	183.6	183.5	184.1	182.2
Mar	186.7	186.7	187.0	185.5
May	188.0	188.0	189.0	186.8
Jul	190.0	189.5	190.0	188.3
Aug	189.0	188.5	189.5	[illegible]
Sep	188.7	189.0	189.0	[illegible]

MAIZE 5,000 bu min; cents/56lb bushel	Close	Previous	High	Low
Dec	228/2	227/6	229/0	226/0
Mar	237/6	237/2	238/4	235/6
May	243/6	243/2	244/0	241/4
Jul	247/0	247/0	247/2	245/2
Sep	243/2	[illegible]	244/0	242/2
Dec	244/6	245/4	245/2	243/4
Mar	251/4	252/4	251/4	250/0

WHEAT 5,000 bu min; cents/60lb-bushel	Close	Previous	High	Low
Dec	276/4	274/6	278/6	273/4
Mar	290/4	288/4	292/4	287/4
May	297/6	298/0	300/4	295/0
Jul	303/0	301/2	[illegible]	301/0
Sep	307/0	305/6	310/0	307/0
Dec	318/4	316/0	318/0	316/4

LIVE CATTLE 40,000 lbs; cents/lbs	Close	Previous	High	Low
Oct	78.47	78.56	78.72	78.25
Dec	75.70	76.15	76.35	75.55
Feb	74.12	74.57	74.72	74.05
Apr	75.07	75.27	75.45	75.02
Jun	72.90	73.15	73.15	72.75
Aug	71.45	71.67	71.67	71.45
Oct	71.62	71.70	71.70	71.52

LIVE HOGS 30,000 lb; cents/lbs	Close	Previous	High	Low
Oct	54.07	54.80	54.80	53.85
Dec	52.10	52.62	52.62	51.70
Feb	48.67	48.90	48.80	48.40
Apr	46.72	46.90	46.95	46.50
Jun	50.20	50.65	50.35	50.05
Jul	50.26	50.62	50.45	50.02
Aug	48.95	49.25	48.95	48.70
Oct	44.07	44.10	44.10	44.05

PORK BELLIES 40,000 lbs; cents/lb	Close	Previous	High	Low
Feb	56.20	56.52	56.90	55.50
Mar	56.22	56.62	56.80	55.55
May	57.15	57.40	57.55	56.15
Jul	57.15	57.40	57.20	56.25
Aug	55.00	55.00	0	54.40

LONDON STOCK EXCHANGE

Early gains lost in nervous market

A NERVOUS UK stock market put its faith in New York rather than Tokyo yesterday, and paid the price towards the close when early losses on Wall Street wiped out a cautious advance in London equities. The FT-SE Index ended the day at 2,000 precisely, having traded between 1,998.5 and 2,015.8 during an erratic session.

The market was 16.6 Footsie points up at the day's peak just as Wall Street opened for the new session. But London came off smartly as the New York's Dow Average fell by 35 points in UK trading hours. At the close, the gain in the *FT-SE* Index had been reduced to less than *one index point.*

Account Dealing Dates		
*First Dealings:		
Sep 10	Sep 24	Oct 8
Option Declarations:		
Sep 20	Oct 4	Oct 18
Last Dealings:		
Sep 21	Oct 5	Oct 19
Account Day:		
Oct 1	Oct 15	Oct 29

*New-time dealings may take place from 8.30 am two business days earlier.

Late trading was also marked by a heavy fall in shares of Standard Chartered, which unsettled a UK banking sector already worried about pressures on US and Japanese banks as well as the prospects for tomorrow's deadline for third quarter interest payments to the banks from the deeply-troubled UK property and construction industry.

Equity trading was also bedevilled throughout the day by preliminary skirmishing ahead of tomorrow's Triple *Witching Hour in London,* when September share and stock options and index futures will expire. The June expiry *brought extreme volatility* in share prices, causing difficulties in completing expiration procedures.

There was some surprise at the opening when London brushed off the fall of 1,108 points, nearly 5 per cent, in the Nikkei Average overnight, preferring to respond to the overnight gain of 32 Dow points in New York. However, London's early gain was soon reversed *and the Footsie dipped briefly* below 2,000 before turning higher again.

Equities were helped by a *fall in crude oil prices* – *and* sterling – in London, and drew further encouragement from comments in Washington by *Mr John Major, the* UK chancellor of the exchequer, that the rise in oil prices was unjustified and that UK inflation would soon peak and then fall sharply. However, UK government bonds turned down in late dealings.

Even so, the upward trend in equities was uncertain and trading volume unconvincing. Dealers maintained that the Seaq total of 408.8m shares, *against* Tuesday's 412.4m, took in a good deal of inter-market business as leading securities houses began to sort out positions *ahead of Friday's expiry* in futures and options.

Weakness in oil shares, reflecting conflicting views on the outlook for world oil prices in the face of recessionary pressures on industrialised countries, continued to hold the rest of the market back. Hints of further downgradings of profits for leading UK conglomerates served to restrain trading activity by investment institutions.

FINANCIAL TIMES STOCK INDICES

	Sept 26	Sept 25	Sept 24	Sept 21	Sept 20	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	78.13	78.38	78.45	78.56	78.41	84.76	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	86.95	86.67	86.83	86.62	87.00	96.03	92.91 (8/1)	83.80 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1532.6	1526.6	1510.4	1537.3	1531.1	1907.4	1968.3 (3/1)	1510.4 (24/9)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	197.5	195.9	184.6	186.1	184.9	212.9	378.5 (6/2)	167.9 (15/6)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2000.0	1999.2	1990.3	2025.5	2016.9	2331.2	2463.7 (3/1)	1990.3 (24/9)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	6.20	6.22	6.29	6.17	6.21	4.27				
Earning Yld %(full)	13.00	13.04	13.19	12.94	13.02	10.23				
P/E Ratio(Net)(☆)	9.32	9.29	9.19	9.37	9.30	11.78				
SEAQ Bargns 4.45pm	16,854	19,022	20,024	25,895	20,995	22,804				
Equity Turnover(£m)†	-	645.70	808.16	834.90	917.63	932.60				
Equity Bargains†	-	18,449	21,392	24,955	20,494	22,709				
Shares Traded (ml)†	-	325.8	516.8	451.9	407.3	340.9				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 9.18

Ordinary Share Index, Hourly changes — Day's High 1544.9 — Day's Low 1530.2

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1534.5	1535.7	1530.5	1534.4	1540.3	1543.8	1544.0	1541.7	1534.5

FT-SE, Hourly changes — Day's High 2015.8 — Day's Low 1998.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2004.9	2007.5	1999.0	2003.6	2009.8	2013.0	2013.7	2012.1	2003.0

GILT EDGED ACTIVITY

Indices*	Sept 25	Sept 24
Gilt Edged Bargains	86.6	89.2
5—Day average	84.3	82.7

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001.

Pressure again on Standard

THE MARKED weakness in Standard Chartered since last Thursday - the day that Polly Peck shares collapsed before being suspended – gathered pace yesterday *afternoon* as the market reacted to a series of unsubstantiated but damaging rumours.

Standard shares succumbed to a wave of selling, falling to a year's low of 259p, a net decline of 30. The stock was changing hands at 348p a week ago. Turnover yesterday totalled a higher than usual 1.9m shares.

Bank specialists said the selling followed talk that a large line of Standard Chartered warrants attached to a 4 per cent capital bond was being offered for sale in the market. There were also various reports concerning Polly Peck, and allegations that Standard's loan book had gone wrong and that the dividend – not due until next March – might be cut.

It later emerged that the "large line" was no more than *warrants to subscribe to ordinary* Standard shares at a price of £8.20 a share up to January 7, 1992.

Analysts said Standard had suffered from its association with Polly Peck; the bank's 50 per cent-owned merchant bank, Chartered West Landesbank, represents Polly Peck.

Firm foods

Several food issues rose on news that the Department of *Trade and Industry was not* referring the Associated British Foods' bid for British Sugar, owned by Berisford, to the Monopolies and Mergers Commission. The news came in the wake of the reference to the MMC of a similar bid from Tate & Lyle.

Traders said the fact that one had been referred and the other not increased the chances of ABF buying British Sugar at a low price. Mr David Atkinson at County NatWest *WoodMac said that if ABF* could secure British Sugar for less than £700m it would not dilute earnings. In the longer term, a shift from cash to assets was good for ABF.

ABF climbed 9 to 404p and Berisford rose 4 to 36p. Tate added a penny at 238p – analysts have said the company would have to make a rights issue to pay for British Sugar.

Williams impresses

A presentation to institutional investors was favourable to Williams Holdings, whose stock has weakened since publication of interim results earlier this month. The company apparently made no attempt to disguise its current problems and said there was no immediate improvement in the situation. Furthermore, it admitted that some areas of business were becoming more difficult.

However, the board impressed the analysts and fund managers with its strategy and known rationalisation skills, which have resolved similar problems resulting from acquisitions over the past few years. This was an explanatory meeting, said Mr Rory Sweetman of BZW, and the shares closed up 5 at 188p.

Williams' interim profits were short of market expectations, being some 14 per cent lower than the same period last year, partly through a mix of very weak demand in UK consumer and building divisions together with the demerger of Pendragon and disposal *of its paint interests.*

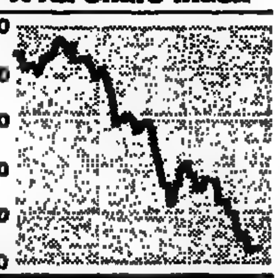
After the close of business some marketmakers said they expected BZW to downgrade Hanson today. The stock had been barely touched by the market's rises and falls during the session. The shares ended ¼ firmer at 192¼p. Turnover was a solid 4.2m shares.

Glaxo was strong ahead of a *migraine conference in London* at the end of the week. Analysts have high hopes for sales of the company's migraine drug sumatriptan. The shares climbed 13 to 745p.

The banking sector was upset by the wild rumours surrounding Standard Chartered and gave ground during a hectic afternoon session. Midland were unsettled and lost 6 to 200p on 1.9m. Some 5.6m Barclays changed hands and the shares closed a shade firmer at 306p. NatWest attracted the greatest activity in the sector, 10m shares, and ended 3 off at 230p.

Much of the action in insurances was concentrated on the broking sector, where Hogg Group advanced 8 to 142p after reporting interim figures at the very top end of expectations, up from £6.73m to £7.27m, and an interim dividend raised from 2.75p to 3p. Sedgwick remained a strong market, closing 3 higher at 180p, while *Willis Faber added 6 at 206p* owing to arbitrage activity in connection with the Corroon &Black merger. Steel Burrill Jones put on 8 to 232p.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: intra-market business & Overseas turnover

A 29 per cent increase in interim profits from Evered, the quarry products group, added to the slightly more optimistic tone seen in the buildings sector. The company said it was well placed to meet the economic uncertainties of the coming year, but balanced this *with caution about profitability* over the next 18 months. Emphasis was put on the growing importance of sales in mainland Europe, highlighted by yesterday's announcement of an aggregate supply agreement with BKV Nederland worth an initial £5.7m.

Redland moved up 11 to 491p ahead of today's release of half-year results. Shearson Lehman is looking for a pre-tax profit of £100m. Beazer also releases interims today but the price was *little changed* at 90p, *down* a penny. Norcros moved up 7 to 90p after support from BZW who, none the less, downgraded its forecast on full year profits by £5.5m to £29.5m. Countryside Properties failed to benefit from the better sectoral undertone and finished 9 down at 62p.

BET found progress difficult following a minor profits downgrading by Hoare Govett. Analyst Mr David Ireland said he remained warmly disposed to *the group* but considered it prudent to shave current year profit expectations to £340m from £350m. The company is *not recession proof across the* board but prospective yield and earnings per share calculations look very respectable, continued Mr Ireland.

Companies thought suspect to possible dividend cuts fought back, with Trafalgar House rebounding to 193p before closing 9 higher on balance at 189p.

Rolls-Royce gained 5 to 176p on the back of rumours that Pratt & Whitney, the US aero engine company, was having problems with its high-thrust engines.

The market was briefly attracted to British Aerospace following reports that Swissair was set to order 50 Airbus A320s. BAe shares were 12 ahead at one point, but closed only 2 up on the day at 544p.

Spirax shed 9 to 201p in spite of an half-yearly profits rise to £12m from £10.5m. The price was affected by the chairman's cautious statement, which said that tension in the Middle East and the strength of sterling created a difficult background for the rest of the year.

Renishaw climbed 21 to 265p, responding to increased profits of £13.4m from £10.1m. Hopkinsons Group rose 4 to 67p after announcing an 18 per cent profits improvement to £3.3m.

A profits warning from the chairman of 600 Group led to a fall of 18 in the shares to 51p. *The group said it had reviewed* projections for the year to March 1991 and believed that profits would not reach earlier expectations.

Whitbread stood out in an otherwise quiet brewing sector with a rise of 9½ to 397½p. Although the company put its drinks dispenser operation up for sale, traders said the price was helped by the good sentiment engendered by the announcement rather than the prospect of a cash injection. *The business was relatively* small, they said.

A downgrading from BZW left Unigate 7 lower at 287p. Mr Julian Hardwick at the securities house cut his forecast for current year profits by £7m to £102m after a meeting with the company.

Mr Hardwick said that the car sales, leasing and auction business was suffering more than anticipated as the economy slowed. He added that the company would make only about £2m from its property operations, compared with £13m last year. The shares should be weak in the short *term, he forecast.*

Interim profits at Geest rose 25 per cent to £14.1m. The shares added 11 at 256p.

Business Technology revealed poor first-half figures, but the news had been anticipated and the board's confidence about longer term prospects put the shares up 9 to 86p.

Two furniture manufacturers similarly announced depressing half-yearly results.

Stag Furniture also cut its interim dividend payment, but the shares eased only a penny to 81p. USM-listed World of Leather, however, nursed a loss of 7 at 32p after disclosing a first-half deficit.

CH Industrials rose to 30p in front of yesterday's annual meeting but slipped back afterwards to end 3 dearer on the day at 28p. There was no respite for Havelock Europa, which remained nervous ahead of next month's interim results and *fell 6* more to 114p.

Ernest Green & Partners, a structural and civil engineering consultancy which unveiled increased annual profits last week, dipped 15 to 135p, although UBS Phillips & Drew have rated the stock a buy.

Tiphook, the container leasing company which has been hit by the general economic downturn, performed disappointingly and dropped 19 to 327p.

Depressed since warning about profits earlier this month, vehicle distributor Gowrings bounced back 13 to 40p. Dagenham Motors responded to a positive statement – interim profits were slightly lower – and gained 4 to 60p, while Lookers rose 5 to 59p on revived bid speculation.

MB Group, a supplier of building products, moved up 3 to 138p on a buy recommendation from Smith New Court. The shares' underperformance has been due to a sharp fall in the price of CMB packaging, where MB has a 26 per cent stake. The worst news on CMB is now out of the way, it added. Turnover was brisk, with 3.7m shares traded.

A near trebling of year-end profits to £2.6m from USM-quoted Allied Leisure, a 10-pin bowling and nightclub group, left the shares 4 higher at 94p.

A bear raid was blamed by traders for a steep fall in WPP, the world's biggest advertising agency. The shares lost almost £1 in light selling but bounced sharply as trading buyers sought cheap stock. WPP ended at 369p, still a fall on the day of 45. WPP warrants lost 6 to 25p.

Property shares presented a brighter picture. British Land moved up 10 to 235p after a recommendation by Smith New Court, while Land Securities added 11 at 460p. Hammerson 'A' moved up 6 to 529p, helped to some extent by an increase of 0.6 per cent to 5.2 per cent in the stake held by ABP, *the Netherlands general* pensions fund for public employees, although the move was described by one trader as "entirely friendly".

Northumbrian was the star performer in a generally firm waters sector, with the shares responding strongly and closing 9 higher at 244p after heavy buying from Kleinwort Benson Securities. The latter took a party of institutions to Northumbrian's operations and upgraded its estimates on the stock.

The rest of the sector made progress, with Anglian, up 3 at 239p, and North West, 2 harder at 229p, buoyed by the recent presentations given to US institutions. Wessex were 7 better at 221p, while the Water Package advanced 17 to £2,250.

Oil and gas shares were broadly lower after crude oil prices lost ground and broking houses recommended a more cautious stance on the sector. Shell, still unsettled by the Kleinwort "reduce" recommendation, dropped 10 to 457p on turnover of 8.6m shares, while BP dipped 7 to 353p on 7m. British Gas lost 3¼ to 208p following the cautious stance adopted by BZW.

Some heavy turnover in Lasmo was said to have been *part of an attempted placing of* stock and Lasmo shares slipped 14 to 454p.

■ Other Market statistics, including the FT-Actuaries share index, Page 23

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change
ABT	415	145	
ASDA Group	639	112	+½
Abbey National	1,600	200	-3
Allied-Lyons	2,500	432	
Amstrad	3,100	46	-1
Anglian Water	420	259	+3
Argos	1,500	223	+4
Argyll Group	2,300	295	+1
Ass. Brit. Foods	571	404	+9
BAA	1,600	364	-5½
BAT Inds.	2,800	523	+1
BET	801	237	
BICC	1,000	337	-2
BOC	545	447	+3
BPB Inds.	1,900	172	-2
BTR	2,200	314	[illegible]
Barclays	5,600	306	+1
Bass	849	844	
Beazer	1,100	90	-1
[illegible]			
British Land	704	235	+10
BP	7,000	353	-7
British Steel	8,700	119¼	+1
British Telecom	5,300	257	-½
Bunzl	215	95	
Burmah Castrol	1,130	484	+22
Burton	2,000	90	+2
Cable & Wire.	3,200	397	-5
Cadbury	1,200	311	+6
Color Group	11	326	-1
Carlton Comm.	464	317	+10
Coats Viyella	1,900	102½	+2
Comm. Union	1,630	418	-2
Cookson	4,600	98	-2
Courtaulds	257	282	+4
Dalgety	420	349	+1
Dixons	1,000	121	+3
ECC Group	423	312	+8
Enterprise Oil	1,100	649	-9
FKI	2,000	48	+1
Ferranti	7,100	18½	
Fisons	1,400	386	+2
Gen. Accident	581	433	-2
General Elect.	5,200	181	
Glaxo	2,800	745	+13
Grynaed Int.	795	187	-3
Granada	935	146	-4
Grand Met.	2,500	929	
GUS A	386	980	+7
GRE	1,300	171	+2
GKN	823	300	+8
Guinness	590	679	+1
Hammerson 'A'	1,000	529	+6
[illegible]			
ICI	1,900	881	+3
Inchcape	687	198	+4
Kingfisher	619	334	+5
Ladbroke	2,400	239½	+½
Land Securities	1,600	460	+11
Laporte	34	442	+1
Legal & General	629	366	+5
Lloyds Abbey	431	266	+1
Lloyds Bank	2,700	244	-1
LASMO	3,900	454	-14
Lonrho	1,700	210	+1
Lucas	1,300	114	+2
MB Group	[illegible]	138	+3
MEPC	168	425	+8
Manpower	[illegible]	88	
Marks & Spencer	3,600	215	+2
Maxwell Comms.	8,300	151½	-4½
Midland Bank	1,900	200	-6
NatWest Bank	11,000	230	-3
Next	1,900	30½	+1½
North West Water	1,700	229	+2
Northern Foods	319	323	
Northumbrian Water	537	244	+9
Pearson	312	651	+1
P & O	1,800	472	-4
Pilkington	555	145	+6
Polly Peck Intl.	0	108	
Prudential	5,900	198½	+½
RHM	667	294	+5
RMC	485	518	+18
RTZ	1,800	409	+7
Racal	6,300	140½	
Racal Telecom	123	237	+4
[illegible]			
Rvl Bk Scotland	980	125	+1
Royal Insurance	1,500	351	+3
STC	1,600	239	
Saatchi	3,100	28	-1
Sainsbury	733	292	+2
Scottish & New.	302	315	-1
Sears	4,400	84½	+4½
Sedgwick	507	180	+3
[illegible]		397	
Shell Transport	8,600	457	-10
Siebe	178	310	-5
Slough Ests	863	228	+5
Smith (W.H.) A	113	307	+3
Smith & Nephew	1,100	98	+1
SmKl Beecham	962	530	-4½
SmKl Beecham Units	83	2388	+20
Smiths Inds.	237	195	+5
South West Water	525	232	+2
Southern Water	186	208	+2
Standard Chartd.	1,800	259	-30
Storehouse	136	136	
Sun Alliance	562	271	+1
Sun Life	74	975	+7
T&N	1,000	144½	+½
TI Group	566	378	+7
TSB	4,100	121	-2
Tarmac	1,700	202	+7
Tate & Lyle	299	238	+1
Taylor Woodrow	506	190	+7
Tesco	1,300	221	+3
Thames Water	703	222	+3
THORN EMI	861	595	-5
Trafalgar House	1,700	189	+9
[illegible]			
Water Package Un.	2	£2250	+17
Wellcome	427	460	-8
Welsh Water	283	244	+6
Wessex Water	250	221	+7
Whitbread 'A'	1,800	397½	+9½
Wiggins Teape	1,600	193	+3
Williams Hldgs.	2,400	188	+6
Willis Faber	2,800	206	+6
Wimpey	597	172	+8
Yorkshire Water	889	232	+3

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (3).
BANKS (1) TRANSPORT (1) OILS (1).
NEW LOWS (275).
AMERICANS (7) CANADIANS (5) BANKS (22) BREWERS (2) BUILDINGS (13) CHEMICALS (3) STORES (7) ELECTRICALS (18) ENGINEERING (8) FOODS (4) HOTELS (1) INDUSTRIALS (46) Alfa-Laval AB "B", Anglo Utd., Aylett Assocs., BBA 6.7pc Cnv. Pf., BSG Ind., BTS, Barry Wehmiller, Briden, Brit. Bloodstock, Brit. Polythene Inds., Butlers, Chieftain Grp., Courtney Pope, Dover Corp., EFG, Eleco, Erskine House Grp., Fletcher Chinge., Gleves Grp., Granada, Do. 7½pc Net Cv., Green (E.) & Part., Havelock Europa, Hawtal Whiting, Hawtin, Kleen-E-Ze, Linton Park, McLeod Russel, Metlevs, Min. & Ald. Spple., MMC, PFG Hodgson Kenyon, Pacific Dunlop, Powell Duffryn, Sale Tilney, Securicor Grp "A" NV, Siebe, Stag Furniture, Stora "B" Free, Sykes-Pickavant, TSL Range, Wassall, Waterford Wedgwood, Whitecroft, Wilkes (J.), Williams 8p Cv. Pf., INSURANCE (6) LEISURE (5) MOTORS (2) NEWSPAPERS (4) PAPERS (13) PROPERTY (14) SHOES (1) TEXTILES (5) TRANSPORT (5) TRUSTS (58) OILS (2) OVERSEAS TRADERS (4) MINES (5) THIRD MARKET (4).

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

BRITISH FUNDS—Contd

Index-Linked

[illegible]

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Contd

[illegible]

CANADIANS

[illegible]

Continued on next page

APPOINTMENTS

Top posts at TWIL Group

■ THE TWIL GROUP, Sheffield, has appointed Mr Robin France as director of finance and treasury, covering financial accounting, treasury, taxation, audit and pensions. Mr Neil Purshouse becomes director of finance and strategy, responsible for management accounting, corporate planning, acquisitions and information technology. Mr France was group financial controller, and Mr Purshouse was finance director of subsidiary Tinsley Wire. The group is owned by Bekaert of Belgium, and *British Steel Corporation.*

■ CITIBANK, London, has appointed Mr Michael J. Kirkwood as *division* executive, continental Europe, world corporation group. He moves from the New York office.

■ COUNTY NATWEST VENTURES has appointed Mr Rod Selkirk as a director. *He* was vice president of 3i Capital Corporation, based in Boston, US.

■ Mr Stephen Marriot has been appointed secretary general of CENELEC (the European Committee for Electrotechnical Standardization) from October 1. He is director international of BSI Standards in London, and will be seconded to Brussels, *initially for two* years.

CELLNET has appointed Mr Geoff Lane *(pictured)* as finance director. He joins from Racal Electronics, where he was financial director of Racal Network Services.

Advertisement chief for Channel Four

■ CHANNEL FOUR TELEVISION has appointed Mr Stewart Butterfield as its first director of advertising sales and marketing. He will be an executive member of the Channel 4 board, and will join the company early in the new year. The company will be selling its own airtime from January 1, 1993. Mr Butterfield is European media director at McCann Erickson.

Land Securities board changes

■ From October 1 Mr J.I.K. Murray joins the board of LAND SECURITIES in preparation for the retirement next March of the financial director, Mr D.H. MacKeith. Mr Murray is on the board of several subsidiaries. On the retirement of main board director Mr J. Moar on October 26, Mr I.J. Henderson becomes managing director of Land Securities Properties, and Mr W. Mathieson becomes managing director of The City of London Real Property Co. Both are main board directors. Mr N.A.C. Moore and Mr M.A. Bird, assistant directors at Land Securities Properties, are promoted to its board.

■ Mr Stuart Crocker has been appointed senior products and portfolio manager, international private banking department, at BANQUE PARIBAS, London. He was with Merrill Lynch.

■ Mr Dal Maker and Mr Rupert Baron have joined ALBERT E. SHARP & CO's fund management team. They were directors of Parrish Stockbrokers.

■ Mr Brian J. Watt has been appointed managing director of THE RALPH M. PARSONS CO, London subsidiary of the US company. He replaces Mr John M. Russell who becomes chairman.

■ Mr Ray Soudah has been appointed to the new post of overseas treasury and capital markets co-ordinator at MIDLAND MONTAGU from October 1. He continues as regional director, Japan, based *in London.*

■ Mr Lance Haggith and Mr Marcus Hardman have been appointed *joint* managing directors of ROBEY SPORTSWEAR (UK). Both were chief executives of Hi Tec Sports (UK).

Mr Michael Hutchinson *(pictured) has been appointed* managing director of SPONG HOUSEWARES, part of Lionheart. He was sales and marketing director of the wallcoverings division of Coloroll.

LONDON SHARE SERVICE

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BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
£13¾	£9½	ABN Amro Fl5	£9¾	+⅛	Q28%	2.1	8.6	5.5
303	176	ANZ $A1	176	–2	44c	1.4	10.7	6.6
229	172	Abbey National 10p	200	–3	5.7	4.3	3.8	8.1
*274	139	Allied Irish Ord	139	–2	Q40%	3.3	6.5	6.3
85	48	Anglo Irish	48	–2	tQ18.7%	2.7	8.7	6.9
93	61	Ansbacher (H.) 1p	61	–2	2.5	1.3	5.5	17.6
£71¾	£32½	Bancaire Cie Fr100	£39¾	+⅝	hQ12¼%	–	3.9	–
£22¾	£13¾	Banco Bilbao Viz	£14	.....	Q49.1%	2.7	5.7	9.6
286	134	Bank Ireland Ir£1	140	–2	Q14.7%	2.9	9.4	4.9
£19½	£18	Bank Leumi	£19½	.....	–	–	–	–
351	320	Bank Leumi (U.K.)	350	.....	†15.0	–	5.7	–
125	100	Bank Scotland	101	+1	4.55	3.3	6.0	6.7
100¼	83¾	Do. 9¼pc Irrd Pf	95½	.....	9¼%	–	12.9	–
54	39	Bank of Wales	42	.....	2.8	0.8	8.9	‡20.2
428	290	Barclays £1	306	+1	th19.57	3.5	8.5	4.2
22	11	Benchmark 20p	11	–1	0.75	♦	9.1	♦
335	240	Brown Shipley £1	240	–7	12.0	2.2	6.7	7.8
*435	290	Cater Allen £1	291	.....	N24.5	–	11.2	–
179	54	Chancery	54	–5	9.0	2.7	22.2	2.2
£23¼	£15¼	Commerzbk DM10	£15¼	–¼	Q18%	–	4.1	–
£13¼	620	Dai Ichi KBk Y50	620	–23	Q17%	♦	0.5	♦
*£313½	£198¼	Deutsche Bk DM50	£198¼	–½	Q28%	–	2.4	–
£20⅞	£14⅞	Espirito Santo	£14⅞	–½	Q75c	5.1	2.7	7.3
253	169	First Nat. Fin. 10p	170	.	13.0	2.1	10.2	5.8
121	83	FNFC 6.3pc Cv. Pf	86	+1	6.3%	–	9.8	–
£13¼	717	Fuji Bank Y50	717	–12	Q17%	♦	0.4	♦
325	262	Gerrard & National	272	.....	19.0	–	9.3	–
154	108	Guinness Mahon 10p	108	.....	2.1	–	2.6	–
328	194	Hambros 20p	205	+1	11.5	–	7.5	–
128	89	Do. 7.5pc Cv Pf	89	.....	7½%	–	11.2	–
53½	32½	HK & Shang. HK$2.50	32½	–½	th0.38c	–	7.8	–
478	393	Joseph (Leo) £1	393	.....	15.85	–	5.4	–
150	105	King & Shaxson 20p	106	+1	10.25	–	12.9	–
422	262	Kleinwort Benson Grp	273	+6	16.0	2.5	7.8	6.5
642	323	Kyowa Bank Y50	328	+5	Q14%	♦	0.8	♦
316	222	Lloyds £1	244	–1	†13.3	2.6	7.3	5.7
56	44	Lon. Scot. Bank 10p	46	.....	†2.4	1.9	7.0	9.1
404	192	Midland £1	200	–6	†18.0	2.6	12.0	4.2
£14½	£10½	Mitsubishi Bank Y50	£10½	.....	Q17%	♦	0.3	♦
£12¼	£4½	Mitsubishi Tst & Bk Y50	£4½	–⅛	Q17%	12.4	0.7	11.5
£10¾	£4½	Mitsui Taiyo Kobe Y50	£4½	.....	tQ16%	6.0	0.6	27.5
904	429	Mitsui Tst & Bk Y50	429	–8	Q17%	♦	0.7	♦
326	251	Nat Aust. Bk. A$1	251	–6	sQ50c	1.6	8.5	7.3
368	227	NatWest £1	230	–3	†16.7	3.3	9.7	4.2
£210	£120	Ottoman Bank	£120	.....	Q110%	2.8	9.2	3.9
55	31	Rea Bros. Group	31	.....	0.5	3.2	2.2	15.5
227	119	Royal Bk. Scotland	125	+1	†7.2	3.8	7.7	4.4
795	366	Saitama Bank Y50	392	+8	Q14%	♦	0.7	♦
£12¼	583	Sanwa Bank Y50	583	–19	Q17%	6.7	0.5	27.4
902½	613	Schroders £1	613	.....	h12.5	5.9	2.7	8.2
712½	413	Do. £1 N/V	413	.....	h12.5	5.9	4.1	5.5
£25¼	£11⅛	Sec. Pacific $10	£11⅛	–¼	Q52.52	–	11.4	–
616	259	Standard Chartd. £1	259	–30	35.0	1.4	18.0	(4.9)
£16¼	£6¼	Sumitomo Bank Y50	£6¼	.....	thQ16%	7.5	0.5	27.3
£11	£4⅞	Sumitomo Tst & Bk Y50	£4⅞	–¼	Q17%	6.9	0.7	20.8
147	114	TSB	121	–2	†5.8	2.5	6.4	7.9
175	126	TSB Bank Ch'nel Is'l	128	–2	†Q6.7	3.5	5.2	6.4
£11¾	£5¾	Tokai Bank Y50	£5¾	+⅛	Q16%	4.1	0.7	41.8
920	531	Toyo Tst & Bk Y50	544	–3	tQ15.2%	6.9	0.5	26.1
611	510	Union Discount £1	510	.....	33.0	–	8.6	–
525	286	Warburg (S.G.)	294	+3	15.0	3.8	6.8	5.1
180	99	Do 6pc Cnv Prf	100	–2	6%	–	8.0	–
279	177	Westpac $A1	177	–1	Q52.5c	1.5	13.4	4.9
420	333	Wintrust 20p	333	–2	†7.8	4.2	3.1	9.2
969	523	Yasuda Tst & Bk. Y50	523	–5	Q17%	♦	0.6	♦

Hire Purchase, Leasing, etc.

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
175	45	CLF Yeoman 50p	45	–5	Q18.5%	3.2	19.4	2.2
71	53	Cambridge Grp Ir5p	53	.....	Q7½%	15.6	0.6	12.9
55	11	♦Capital Leasing Ir 10p	12½	.....	†Q13.2%	3.5	8.5	3.0
66	50	Cattle's (Hldgs) 10p	55	–1	†3.58	1.9	8.7	7.9
426	362	Prov. Financial	383	.....	†20.5	2.1	7.1	8.8
*232	160	♦Reflex Invs. Ir5p	160	.....	gQ51%	7.9	1.4	11.8
225	199	Secure Trust Grp. 1p	200	.....	†8.5	2.4	5.8	9.8
210	135	Woodchester Ir20p	153xd	–1	†Q16.7%	5.9	2.0	11.4

BEERS, WINES & SPIRITS

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
520	408	Allied-Lyons	432	.....	16.95	2.2	5.2	9.9
£26¼	£18⅞	Anheuser-Busch $1	£20¾	+⅛	Q$1.00	–	2.6	–
1128	895	Bass	944	.....	†28.2	3.5	4.0	9.4
170	131	Boddington	135	+3	†5.1	2.3	5.1	11.2
199	161	Bulmer (H.P.) 5p	175	+1	7.65	1.6	5.8	13.1
227	140	Burtonwood Brewery	147	+3	3.98	2.7	3.6	13.7
400	290	Clark (Matthew)	343	.....	13.5	2.7	5.2	9.3
286	125	Devenish (J.A.) 5p	128	–1	†4.65	3.1	4.8	7.8
225	90	Do 4.5pc Cv 2ndPf	90xd	.....	4½%	–	6.7	–
167	109	♦Eldridge Pope "A" 50p	114	.....	4.1	2.3	4.8	10.8
430	335	♦Feller, S.T.A. %1	400	.....	5.5	4.1	1.8	17.7
681	521	Grand Metrop. 50p	529	.....	†17.75	2.8	4.5	9.2
369	295	Greenall Whitley	298	+1	†8.7	2.9	3.9	11.3
174	139	Do. 5.95pcCvPf£1	142	+1	5.95%	–	5.6	–
420	313	Greene King	334	.....	9.8	3.4	3.9	9.8
824	626	Guinness	679xd	+1	†15.3	3.3	3.0	11.9
224	171	Do. 5¾pc Cnv Prf	188	.....	5.75%	–	4.1	–
£272	£208½	Do 8¼pc CvLn	£226½	.....	Q8¼%	–	3.6	–
253	182	Highland Dists. 20p	183	.....	†3.85	2.7	2.8	17.6
75	50	♦Hoskins Brewery 50p	55	.....	–	–	–	27.8
153	120	Invergordon Distillers 10p	124	.....	†h5.0	2.3	5.4	10.9
725	544	Kirin Brewery Y50	545	.....	Q15%	4.0	0.5	48.5
825	583	Macallan-Glenlivet	598	+5	†1.06	6.9	0.2	–
478	380	Macdonald Martin 'A' 10p	465	.....	6.4	3.5	1.8	20.8
480	375	Mansfield Brewery	435	.....	11.3	3.4	3.5	11.2
222	159	Marston Thompson	166	.....	4.02	3.1	3.2	13.2
520	395	♦Merrydown Wine	518	.....	7.0	3.3	1.8	22.0
405	265	Morland	275	.....	†h5.13	4.1	2.5	11.7
366	278	Scott & New 20p	318	–1	13.0	2.2	5.5	10.7
£57¾	£38½	Seagram $	£39½	+½	US$1.40	–	2.1	–
329	191	Vaux Group 10p	197	–2	†d7.84	2.2	5.3	10.9
469	360	Whitbread 'A'	397½	+9½	14.8	2.4	5.0	10.5
79	61	♦Wiltshire Brewery 5p	61	–3	11.5	–	3.3	–
430	339	Wolv. & Dudley	369	+1	†t9.0	3.8	3.3	11.7
495	440	Young Brew 'A' 50p	440	.....	11.5	2.0	3.5	19.0
415	350	Do. Non. V. 50p	350	.....	11.5	2.0	4.4	15.1

BUILDING, TIMBER, ROADS

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
252	160	AMEC 50p	169	+4	†t9.5	3.3	7.7	5.2
125	80	Do. 6½p Cm Cv Pf	84xd	+2	6½%	–	10.6	–
130	60	Abbey	63	.....	–	–	–	–
*563	50	♦Albrighton	50	.....	7.0	1.7	18.7	2.7
116	76	♦Allen 5p	80	+4	4.8	3.1	8.0	5.2
*159	90	♦Amco Corp	92½	–1½	–	–	–	–
132	26	Anglia Sec. 10p	34	+2	‡2.0	0.2	‡	–
155	108	Arncliffe 10p	108	.....	t6.75	4.5	‡	3.5
285	183	♦Ashtead Group 10p	185	.....	3.75	7.6	2.7	6.4
*590	377	Attwoods 5p	425	+20	†t8.0	2.3	2.5	20.9
128	121	♦BMSS 10p	124	.....	4.38	3.5	4.6	7.8
263	167	BPB Inds. 50p	172	–2	11.25	1.8	8.7	7.3

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

LONDON SHARE SERVICE

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MOTORS, AIRCRAFT TRADES — Contd

Components

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
458	420	Abbey Panels	453	.....	3.5	10.8	1.0	12.0
225	147	Airflow Streamlines	147	.....	6.0	3.9	5.4	6.3
190	145	Bostrom 5p	165	.....	5.75	3.1	4.6	7.5
266	163	Dowty 50p	170	+1	9.0	2.1	7.1	8.2
239	119	FR Group	120	+1	6.37	3.2	7.1	5.7
135	55	Kwik-Fit Hldgs. 10p	67	−2	†2.4	1.7	4.9	16.6
174	102	Lucas Inds.	114	+2	†6.25	3.0	7.3	5.2
44	14	Do. Warrants	17½	+½	—	—	—	—
80	63	Mid-States 10p	63	.....	s20.75	—	1.6	52.8

Garages and Distributors

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
28	16	Alexanders 10p	17	.....	1.0	3.0	7.8	5.1
135	78	Appleyard 10p	79	.....	†7.8	2.4	13.2	3.7
110	58	Bletchley Motor 20p	58	.....	†7.5	1.9	17.2	4.2
568	423	Caffyns 50p	428	.....	11.5	0.3	3.6	—
121	98	Central Motor Auctns	108	.....	13.25	3.2	4.0	10.3
61	26	Cook (D.C.) Hldgs.	28	.....	1.0	5.3	4.8	5.3
89	33	Cowie (T.) 5p	43	.....	4.2	1.5	13.0	6.0
95	56	Dagenham Motors 10p	60	+4	†5.25	2.6	12.0	4.0
98	75	Davenport Vernon 10p	76	.....	3.5	3.6	6.1	5.3
29	16	Equity & Gen 5p	20	.....	†1.5	1.7	10.0	(7.1)
247	163	Evans Halshaw	168	.....	11.25	2.4	8.9	6.1
113	85	Gates (F.G.)	90	.....	2.75	1.9	4.1	16.9

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUST

[illegible]

INVESTMENT TRUST—Contd

[illegible]

INVESTMENT TRUST—Contd

[illegible]

Net asset values supplied by County NatWest, Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES—Contd

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

[illegible]

IRISH

[illegible]

TRADITIONAL OPTIONS

3-month call rates

Industrials

[illegible]

Property

[illegible]

Oils

[illegible]

Mines

[illegible]

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1,650 per annum for each security.

FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)F

80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chge	Canc Price	Bid Price	Offer Price	+ or −	Yield Grs
High Income						
American Income	6	41.65	41.65xd	44.54	−0.79	6.13
Gilts & Fixed Int	6	103.6	103.6xd	109.9	−0.1	10.46
High Inc Equity	6	113.6	113.6	121.4	−0.4	5.29
Worldwide Bond	6	186.2	186.2	197.4	+0.7	7.46
Capital Growth						
American Growth	6	150.8	150.8	161.2	+2.9	1.70
Asian Pacific	6	97.15	97.15	103.9	−0.8	0.12
Assets & Earnings	6	135.5	135.9	145.3	—	3.23
Capital Reserve Acc	0	96.17	96.17	96.24	+0.07	7.42
Capital Reserve Inc	0	80.83	80.83	80.89	—	7.42
Commodity & Energy	6	84.78	84.78xd	90.67	—	1.12
1992 Enterprise	6	52.47	52.47	56.11	−0.25	3.48
Euro Capital Acc	6	79.15	79.15	84.65	−1.49	1.17
Euro Capital Inc	6	76.00	76.00	81.28	−1.43	1.17
General	6	147.6	147.6xd	157.8	+0.4	3.17
Japan	6	80.29	80.29	85.87	−2.40	0.00
Mastertrust	6	74.28	74.28	79.44	−0.56	2.13
UK Growth Acc	6	142.5	142.5	152.4	−1.2	2.67
UK Growth Dist	6	93.06	93.06	99.52	−0.78	2.67
US Emerging Cos	6	42.48	42.48	45.43	+0.68	0.00
Income & Growth	6	250.9	250.9	263.3	+0.5	3.82
Ethical	6	40.31	40.31	43.11	−0.01	2.31
International	6	50.55	51.23	54.50	−0.28	0.92
Dividend & Growth	6	39.81	39.79	42.32	+0.07	5.38
Global Grth & Sec	6	45.80	45.92	48.85	−0.12	2.65

Abtrust Management Ltd (1200)H

10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

[illegible]

Brown Shipley & Co Ltd — Contd.

[illegible]

Brycourt Unit Tst Mngmt Ltd (1400)F

[illegible]

Buckmaster Mangmt Co Ltd (1200)H

15 St Botolph Street, London EC3A 7JJ 071-247 4902

[illegible]

Burrage Unit Tst Mangmt Ltd (0900)F

117 Fenchurch St, London EC3M 5AL 071-480 7226

[illegible]

CCF Foster Braithwaite UT Mngt (1100)F

1 White Hart Yard, London SE1 1NX 071-407 5966

[illegible]

CCL Unit Trusts Ltd (1400)F

74 Shepherds Bush Green, W12 8SD

[illegible]

Mayflower Management Co Ltd (1200)F

[illegible]

National Provident Inv Mngrs Ltd (1400)H

48 Gracechurch St, EC3P 3HH 071-623 4200

[illegible]

GUIDE TO UNIT TRUST PRICING

[illegible]

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	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
Target Trust Mngrs Ltd (1600)F						
Target Hse, Gatehouse Rd, Aylesbury, Bucks						
Admin: 0296 394000 Dealing: 0296 312156						
American Eagle	5	59.23	59.23	63.28	+0.74	1.22
Australia	5	6.115	6.115	6.541	-0.017	4.08
Equity	5	134.9	134.9	144.8	+0.2	5.31
Euro Spec Sits	5	94.87	94.87	102.2	+0.9	0.68
Financial	5	23.64	23.64xd	25.45		3.41
Global Opps Inc	5	56.30	56.30	60.53	-0.33	0.00
Global Opps Acc	5	56.73	56.73	60.98	-0.33	0.00
Gold & Gen Inc	5	42.00	42.00	45.10	-0.02	0.89
Gold & Gen Acc	5	78.28	78.28	84.05	-0.02	0.89
Income	5	82.69	82.69xd	89.05	+0.5	6.46
Japan & General	5	99.84	99.84xd	107.5	-4.0	0.00
Preference Share	5	17.16	17.16	18.47	+0.04	14.16
UK Capital	5	73.54	73.54	79.01	+0.11	4.42
World Income	5	52.80	52.80	56.62	+0.07	6.24
Worldwide Capital	5	141.20	141.20	152.0	+0.4	3.60
Templeton Unit Trust Managers Ltd (1200)F						
Atholl Crescent, Edinburgh EH3 8HA 031 228 3932						
Global Growth Acc	6	95.11	95.880	102.54	-0.82	3.72
Global Growth Inc	6	91.39	92.12	98.535	+0.79	3.72
Global Balanced Acc	6	94.34	94.83	101.43	+0.7	4.94
Global Balanced Inc	6	89.69	90.16	96.433	+0.66	4.94
Value Tst Acc	6½	69.12	70.21	75.09	+0.78	4.59
Value Tst Inc	6½	67.39	68.46	73.22	+0.28	4.59
Intl Pen & Ch'ties Inc ▼	2	90.06	91.58	96.141	-4.27	5.88
Intl Pen & Ch'ties Acc ▼	2	88.31	89.79	94.27	-4.19	5.88
Thornhill Unit Trust Managers Ltd (1200)F						
28 St John's Sq, London EC1M 4AE 071-251 6767						
Capital	5	43.89	44.17	46.98	-1.07	–
Overseas	5	39.25	39.47	41.98	-1.04	–
Thornton Unit Managers Ltd (1000)F						
33 Cavendish Sq, London W1M 0DH 071-493 7262						
Dealing 071-493 8545						
American Opps	5	43.19	43.19	46.06	-1.09	0.24
(Accum Units)	5	44.45	44.45	47.40	-1.12	0.24
Cash	0	50.41	50.41	50.41	-0.01	14.75
Accum Units	0	50.41	50.41	50.41	-0.01	14.75
European Opps ♣	5	58.43	58.43	62.32	-0.12	0.00
(Accum Units) ♣	5	58.75	58.75	62.66	-0.12	0.00
Far Eastern Opps	5	97.14	97.14	103.61	-1.15	0.00
(Accum Units)	5	97.76	97.76	104.27	-1.16	0.00

	Bid Price	Offer Price	+ or -	Yield Gross
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
Amer Expt Sept 26	38.2	39.6	–	2.81
Euro Expt Sept 26	46.2	48.5	–	2.93
Fixed Int Ex Sept 26	42.6	43.7	–	11.57
Japan Expt Sept 26	38.2	39.8	–	0.91
Managed Ex Sept 27	36.5	37.9	+1.30	3.72
SE Asia Expt Sept 26	53.9	56.5xd	–	3.77
Sm Cos Expt Sept 26	29.4	30.8	–	5.44
UK Eqty Ex Sept 26	34.1	35.8xd	–	5.63
Phillips & Drew Fund Management Ltd				
Small Co's Sep 5	641.8	685.9	–	5.25
Do Accum	706.9	755.2	–	5.25
Int Expt Sept 20	154	156.3	–	3.6
UK Index Sept 5	1015	1035	–	5.1
Do Accum	1059	1080	–	5.1
Convertible Sept 24	78.71	81.18	–	9.0
World ex UK Index Sept 24	637.6	646.2	–	2.56
Do Accum	637.6	646.2	–	2.56
Japan Index Sept 24	[illegible]	523.4	–	0.6
Do Accum	517.0	524.3	–	0.6
USA Index Sept 24	730.1	735.1	–	3.9
Do Accum	740.4	745.4	–	3.9
European UK Index Sept 24	775.1	794.1	–	3.2
Do Accum	787.2	806.3	–	3.2
Pacific ex Jap Index Sept 25	776.8	799.4	–	5.6
Do Accum	791.5	814.4	–	5.6
Managed Exempt Sept 20	89.64	91.18	–	[illegible]
NM Rothschild Asset Management Ltd				
NC Managed	51.4	54.7xd	–	4.34
NC Property	179.5	196.5	–	–
J. Rothschild Fund Managers Ltd				
Intl Exempt Accum	130.5	131.6	–	2.97
Stewart Ivory & Co Ltd				
Saints PPP Aug 13	245.8	258.1	–	–
Closed to new business				
Thornton Unit Managers Ltd				
Managed Exempt Sept 17	89.02	94.29	–	4.39

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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Norwich Union Asset Management Ltd
PO Box 140, Norwich NR3 1PP 0603 686787

	Bid Price	Offer Price	+ or −	Yield Gross
NUAM Funds				
Managed Fund	59.1	62.2	+0.3	–
Stock Market Mngd Fund	55.5	58.4	+0.3	–
Equity Fund	62.8	66.1	+0.4	–
International Fund	49.0	51.6	+0.3	–
European Fund	59.4	62.5	+0.5	–
North American Fund	49.2	51.8	+1.0	–
Pacific Fund	50.2	52.9	−0.6	–
Property Fund	87.1	91.7	----	–
Fixed Interest Fund	51.2	53.9	−0.1	–
Index Linked Sec Fund	57.8	60.9	----	–
Deposit Fund	65.2	68.7	----	–
NUAM Retirement Plans				
Mixed Fund	64.0	67.3	+0.3	–
UK Ordinary Share Fd	72.0	75.8	+0.5	–
International Fund	53.1	55.9	+0.1	–
Property Fund	85.4	89.9	----	–
Fixed Interest Fund	61.0	64.2	−0.1	–
Index Linked Sec Fund	61.0	64.2	----	–
Deposit Fund	75.4	79.4	+0.1	–
NUAM (NF)				
Managed Fund	839.1	883.3	+4.3	–
Equity Fund	1739.3	1830.9	+12.1	–
International Fund	129.4	136.3	+0.9	–
Property Fund	551.3	580.4	+0.1	–
Fixed Interest Fund	383.9	404.2	−0.6	–
Index Linked Sec Fund	58.8	61.9	−0.1	–
Deposit Fund	268.2	282.4	+0.1	–

Norwich Union Life Insurance Soc.
Surrey Street, Norwich NR1 3NG 0603 622200

	Bid Price	Offer Price	+ or −	Yield Gross
Unitised Life				
With Profits Fd	104.80	110.32	+0.03	–
Managed Fd	79.95	84.15	+0.37	–
UK Ord Share Fd	82.04	86.36	+0.44	–
International Fd	72.57	76.39	+0.46	–
European Fd	82.29	86.62	+0.45	–
North American Fd	75.08	79.03	+1.63	–
Pacific Fd	63.69	67.04	−0.82	–
Property Fd	100.04	105.31	+0.02	–
Fixed Int Fd	92.55	97.42	−0.03	–
Intl Bond Fd	88.31	92.96	−0.28	–
Deposit Fd	105.49	111.05	+0.04	–
Unitised Pensions				
With Profits Fd	137.90	145.15	+0.05	–

Providence Capital Life Assc. Co Ltd – Contd.

	Bid Price	Offer Price	+ or −	Yield Gross
Individual Pension Funds				
UK Equity Acc	196.9	207.8	+0.3	–
UK Fixed Interest Acc	188.3	198.7	−0.8	–
Intl Equities Acc	188.0	198.4	−3.5	–
UK Managed Acc	161.7	170.5	−0.4	–
Property Acc	207.7	219.1	+0.2	–
Money Acc	147.6	155.8	----	–
Special Market Acc	204.3	215.6	−1.5	–
Japan Equity Acc	139.4	147.1	−6.3	–
North American Acc	104.8	110.6	+2.6	–
Pacific Acc	141.2	149.0	−5.6	–
Technology Acc	126.8	133.8	−11.6	–
Natural Resources Acc	102.4	108.1	−0.3	–
European Acc	102.0	107.6	−0.8	–
Residential Prop Acc	103.6	109.3	−2.2	–
Swiss Equities Acc	31.0	32.8	−0.6	–
Hong Kong Acc	43.7	46.2	----	–
UK High Inc Eqn Acc	62.7	66.2	−0.1	–
Int Fixed Interest Acc	52.4	55.3	----	–
Int Managed Acc	50.1	52.8	−0.8	–
Group Pension Funds				
Equity Acc	662.1	682.6	−10.2	–
Fixed Interest Acc	556.5	573.8	----	–
Managed Acc	114.9	117.1	−1.0	–

Provident Life Assoc Ltd
Provident Way, Basingstoke RG21 2SZ 0256 470707

	Bid Price	Offer Price	+ or −	Yield Gross
Unit Fund (Mixed)	934.7	981.4	−1.8	–
Equity Fund	208.8	219.2	−0.1	–
International Fd	119.0	125.0	−1.8	–
Fixed Interest Fd	154.8	162.5	−0.1	–
Property Fund	227.3	238.7	----	–
Index-Linked Fund	146.6	153.9	+0.1	–
Deposit Fund	155.0	162.8	+0.3	–
Pens. Mixed (Ord) Fd	227.7	239.1	−0.4	–
Gold Pensions				
Discretionary Fund		110.9	−0.2	–
Equity Fund		107.8	−0.1	–
Fixed Interest Fund		113.3	----	–
International Fund		91.8	−1.4	–
Property Fund		138.0	----	–
Index-Linked Fund		122.5	+0.1	–
Deposit Fund		132.1	+0.1	–
S & F Consolidation		119.9	----	–
S & F Balanced		112.8	+0.6	–
S & F Maximum Growth		84.0	+0.1	–

Sun Alliance International Life
PO Box 77, New St, St Peter Port, Guernsey 0481 714108

	Bid Price	Offer Price	+ or −	Yield Gross
North American Equity $	$7.93	8.53	----	–
Pacific Equity $	$7.16	7.71	----	–
Intl Currency $	$4.24	4.56	----	–
Intl Bond Fund $	$6.64	7.15	----	–
Gilt Fund £	£3.85	4.15	----	–
US Dollar Mngd Fd $	$1.59	1.71	----	–
Stlg Managed Fd £	£1.00	1.07	----	–

Target International Group
1 rue Emile Bian, Luxembourg Tlx 2809 Tel 4050751

	Bid Price	Offer Price	+ or −	Yield Gross
Sterling Pens Plan	£0.71	0.77	−0.01	–
US Dollar Pens Plan	$0.72	0.78	−0.01	–
Yen Pens Plan	Y241	258	−9	–
Ecu Pens Plan	Ecu0.59	0.64	−0.06	–
Sterling Man Fd	£0.99	1.04	−0.03	–
Sterling Fixed Int Fd	£1.50	1.58	----	–
US Dollar Man Fd	$1.18	1.25	−0.01	–
US Dollar Fixed Int Fd	$1.39	1.47	−0.01	–
Ecu Bond Fd	Ecu1.08	1.14	−0.01	–
Davenport Cldwck £ Fd	£0.79	0.85	+0.01	–
Davenport Cldwck $ Fd	$0.50	0.54	−0.12	–
Davenport Cized £ F I	£1.07	1.16	+0.01	–
LWI Universal Stg Mgd	£0.77	0.80	+0.01	–
LWI Universal $ Mngd	$0.62	0.65	+0.01	–
Matheson £ Pens	£0.75	0.80	−0.01	–
Matheson $ Pens	$0.78	0.83	−0.01	–
EDN MIM £	£0.85	0.92	----	–
EDN MIM $	$0.93	1.00	----	–
Royal Wessex Fund	£0.74	0.773	+0.002	–
Wessex Special Sits	£1.03	1.078	+0.005	–
Proinco $ Managed	$0.92	0.965	−0.001	–
Proinco £ Managed	£1.04	1.085	+0.007	–
Argent Stg Blncd		£10.64	----	–
Argent Stg Eqty Grh		£11.39	----	–

J. B. Ward Financial Services Ltd
9 Kingsway, London, WC2 B6XF. 01-836 4321

	Bid Price	Offer Price	+ or −	Yield Gross
Target Mngd Bond	183.1	192.8	−1.1	–
Target Mngd Pension	111.6	117.5	−0.6	–
Albany Life Acc	165.2	173.8	−0.1	–
Albany Pens Acc	203.9	214.6	−0.1	–

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Orion Fund Limited
6 Front St., Hamilton, HM11, Bermuda 809 295-4000

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or −	Yield Gr's
Orion		5–		10.00	----	–

CANADA (SIB RECOGNISED)

Ivory & Sime Pembroke Inc
UK Agent: Ivory & Sime Plc, One Charlotte Square, Edinburgh EH2 4DZ 031 225 1357

			Bid Price	Offer Price	+ or −	Yield
GSC Nth America Inc*		C$–		2.71	----	–
Approx Stlg Equiv		£–		1.27	----	–

*Dealing Thursdays–Forward. Redemption Fee 1%

GUERNSEY (SIB RECOGNISED)

BBV–Hambros Asset Mngmt (Guernsey) Ltd
PO Box 256, St Peter Port, Guernsey CI 0481 710651
Bilbao-Vizcaya Euro 3 | £0.85 | 10.05 | 10.47 | −0.33 | –

Cigna International Fund Mngrs (CI) Ltd
PO Box 208 St Peter Port, Guernsey 0481 714315

		Bid Price	Offer Price	+ or −	Yield
Sterling Multi-yield Fund					
Maximum Yield	5	£0.943	0.943d	----	10.80
Market Yield	5	£0.935	0.935d	----	9.75
Sterling Inc & Grth	5	£0.912	0.912d	----	7.50
Intl Inc & Grth	5	£0.891	0.891d	----	6.50
Intl Mngd Currency	5	£0.896	0.896d	----	6.00

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JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

More anxiety over ERM

STERLING drifted lower yesterday as oil prices declined, albeit marginally, for the second day running and worries resurfaced over the timing of the pound's entry into the European exchange rate mechanism. The dollar had a mixed day, while the strength of the Spanish peseta forced the Bank of Spain to intervene.

The crisis in the Gulf has focused attention on the vulnerability of most European economies to oil imports. The UK is a small net exporter of oil and has benefited from higher oil prices, but yesterday it suffered from easier energy prices. Sterling opened at DM2.9383 and then drifted below DM2.93. Dealers said the selling pressure on sterling was not heavy.

The pound came under pressure after Mr John Major, the chancellor of the exchequer, said the rise in the price of oil was likely to feed more quickly into UK inflation than in other countries. He added that higher energy prices would depress economic growth.

The market was initially of the opinion that Mr Major's comments meant that early entry of sterling into the ERM was less likely. However, many analysts said the market had misinterpreted his remarks.

Mr Kit Juckes, international economist at Warburg Securities, said Mr Major had been restating his view that future movements in inflation would determine when sterling joined the ERM. "Under this view, early ERM entry is still perfectly possible."

Sterling closed lower at DM2.9300 compared with the previous London close of DM2.9350; at $1.8640 from $1.8765; at Y255.75 from Y257.50; and at FFr9.8100 from FFr9.8250. But it firmed to SFr2.4425 from SFr2.4400. The Bank of England's sterling index declined 0.7 to 93.1.

In New York, the pound rallied to finish at $1.8725.

The US dollar was mixed in thin trading and closed below the day's strongest level against the D-Mark. A remark by Mr Karl Otto Pöhl, president of the Bundesbank, that the German central bank will not make concessions on price stability, in order to stimulate the East German economy, led to some late selling.

Mr Pöhl's comments suggested that monetary policy could be tightened if higher oil prices threaten to boost German inflation. However, the market believes the US is in no position to match any rise in rates in Germany. The decline in oil prices did provide some support for the US dollar. Furthermore, there is a growing belief that the US will not introduce any early easing in monetary policy.

The dollar ended higher at DM1.5720 from DM1.5640; at SFr1.3110 from SFr1.3005; and at FFr5.2625 from FFr5.2350; but eased to Y137.20 from Y137.25. The dollar's index finished 0.5 higher at 62.8.

Spain's high interest rates lifted the peseta. The Bank of Spain was forced to sell pesetas for dollars. The D-Mark closed at Pta62.55, up 10 points.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Sep 26	% change from central rate	% spread vs weakest narrow band currency	Divergence indicator
Spanish Peseta	132.889	128.540	-3.27	4.20	57
French Franc	6.85684	6.89347	0.53	0.25	-12
Irish Punt	0.763159	0.767197	0.53	0.26	-9
Belgian Franc	42.1679	42.3946	0.54	0.25	-11
Italian Lira	1529.70	1540.38	0.70	0.09	-19
German D-Mark	2.04446	2.05913	0.72	0.07	-25
Dutch Guilder	2.30958	2.32106	0.76	0.03	-22
Danish Krone	7.79845	7.85981	0.79	0.00	-21

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Sept. 26	Close	Previous Close
£ Spot	1.8720-1.8730	1.8675-1.8685
1 month	1.08-1.06pm	1.07-1.06pm
3 months	2.97-2.94pm	2.94-2.91pm
12 months	9.68-9.58pm	9.75-9.70pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

CURRENCY MOVEMENTS

CURRENCY RATES

OTHER CURRENCIES

Korea(Sth)	1324.30 - 1345.60	711.10 - 716.70
Kuwait	N/A	N/A
Luxembourg	60.00 - 60.10	32.20 - 32.30
Malaysia	5.0275 - 5.0400	2.6995 - 2.7015
Mexico	5303.20 - 5408.00	2895.00 - 2896.00
N.Zealand	3.0055 - 3.0105	1.6140 - 1.6170
Saudi Ar	7.0230 - 7.0435	3.7495 - 3.7505
Singapore	3.2835 - 3.2910	1.7650 - 1.7670
S.Af (Cm)	4.7800 - 4.7920	2.5680 - 2.5700
S.Af (Fn)	7.1420 - 7.2815	3.8315 - 3.9065
Taiwan	51.50 - 51.60	27.30 - 27.35
U.A.E.	6.8780 - 6.8990	3.6700 - 3.6735

* Selling rate

POUND SPOT - FORWARD AGAINST THE POUND

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LONDON (LIFFE)

CHICAGO

CAC-40 FUTURES (MATIF) Stock Index

	Open	Close	Change	High	Low	Open Int.
September	1479.0	1492.0	+8.0	1517.0	1469.0	7,340
October	1483.0	1497.0	+13.0	1519.0	1471.0	6,643
November	1485.0	1485.0	-4.0	1485.0	1485.0	180
December	-	-	-	-	-	51

Estimated volume 16,891 Total Open Interest 14,214

BASE LENDING RATES

	%		%		%
ABN Bank	15	Coutts & Co	15	NatWestminster	15
Adam & Company	15	Cyprus Popular Bk	15	Northern Bank Ltd	15
Allied Trust Bank	15	Dunbar Bank PLC	15	Nykredit Mortgage Bank	15½
Allied Irish Bank	15	Duncan Lawrie	15	Provincial Bank PLC	16
● Henry Ansbacher	15	Equatorial Bank plc	15	Roxburghe Bank Ltd	15½
Associates Cap Corp	15½	Exeter Trust Ltd	15½	Royal Bk of Scotland	15
● B & C Merchant Bank	15	Financial & Gen. Bank	15	Royal Trust Bank	15
Bank of Baroda	15	First National Bank Plc.	16½	● Smith & Williamson Secs.	15
Banco Bilbao Vizcaya	15	● Robert Fleming & Co.	15	Standard Chartered	15
Bank Credit & Comm	15	Robert Fraser & Ptnrs.	15½	TSB	15
Bank of Cyprus	15	Girobank	15	Unibank plc	15
Bank of Ireland	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of India	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of Scotland	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Western Trust	15
Barclays Bank	15	Heritable & Gen Inv Bnk.	15	Westpac Bank Corp.	15
Benchmark Bank	15	● Hill Samuel	§15	Whiteaway Laidlaw	15
Brit Bk of Mid East	15	C. Hoare & Co.	15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk.	15		
Clydesdale Bank	15	Midland Bank	15		
Comm. Bk. of London Plc	15	Mount Banking	15		
Co-operative Bank	*15	Nat Bk. of Kuwait	15		

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MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

MONEY MARKETS

Stable UK rates

UK money market rates were stable yesterday in quiet trading. The key three-month interbank rate was quoted at 14⅞-¾ per cent, unchanged from the previous session's close.

Sterling's easier tone provided some strength to short-term yields as the UK currency weakened on concern over the timing of its membership into the European exchange rate mechanism.

Turnover in the money market was depressed by the approach of the end of the third quarter and Japan's financial half year. However, the futures market was more active with sellers appearing as the pound weakened. December short sterling finished at 85.54, down 12 basis points.

UK clearing bank base lending rate 15 per cent from October 5, 1989

The Bank of England's preliminary forecast of only a £100m credit shortage initially depressed money rates. The forecast was later revised to £150m. The only help provided was around £20m of late assistance. This left the market around £130m short and pushed near-term rates higher towards the close. At one stage overnight money rose to 16 per cent before settling at 15, unchanged on the day.

One month money was 1/16 easier at 14⅞-¾ per cent. Further along the yield curve rates were also little changed. Six months was steady at 14⅞-⅞ per cent, while one year was up 1/16 at 14⅞-½.

Among factors contributing to the shortage were bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills, which drained £369m. A rise in the note circulation absorbed a further £80m. This was partly offset by Exchequer transactions of £350m.

In Frankfurt call rates firmed slightly to 8.05-8.10 per cent from 8.00-8.05 as the money market remained tight. At its regular tender for securities repurchase funds, the Bundesbank injected DM1bn of liquidity, which was at the lower end of expectations. At the tender the Bundesbank accepted bids of DM11.0bn for 28-day funds at 8.00-8.30 per cent.

Analysts said the smaller-than-expected injection of liquidity was intended by the Bundesbank to underpin short-term rates.

In New York the Federal Reserve added reserves to the banking system using an overnight securities repurchase agreement. At the time of the injection Federal Funds were trading at 8¼ per cent, down 1/16.

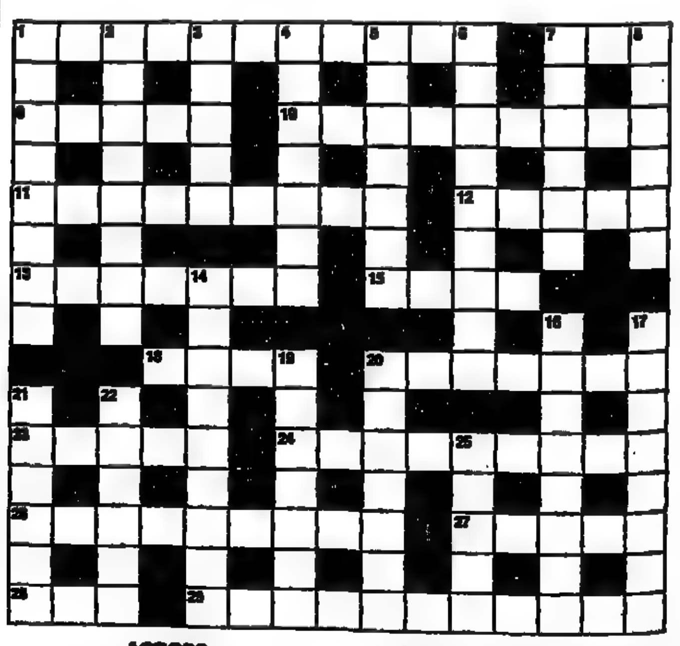
FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

CROSSWORD

No.7,352 Set by FETTLER



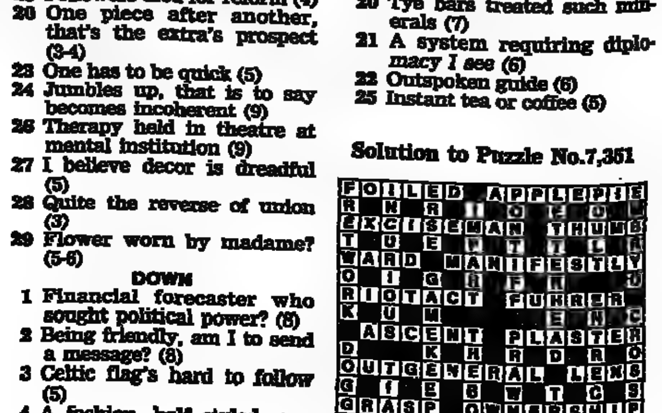
ACROSS

1 A1, smart, dashing, in style, having an aura (11)
7 Bell the cat! (3)
9 Plea in court – "Pal, I bin somewhere else" (5)
10 Embar toad turning into Prince Charming (9)
11 Such cases travel the street in coaches (9)
12 When cultivated, I'm Zea (5)
13 Luminescence is reflective, ever so like moonlight (7)
15 Saw illiterate offspring (4)
18 Followers died for reform (4)
20 One piece after another, that's the extra's prospect (3-4)
23 One has to be quick (5)
24 Jumbles up, that is to say becomes incoherent (9)
26 Therapy held in theatre at mental institution (9)
27 I believe decor is dreadful (5)
28 Quite the reverse of union (3)
29 Flower worn by madame? (5-6)

DOWN

1 Financial forecaster who sought political power? (8)
2 Being friendly, am I to send a message? (8)
3 Celtic flag's hard to follow (5)
4 A fashion, half styled, personifies demureness (7)
5 Castles wanting for locks (7)
6 Mouser gobbled part of the whole cheese (9)
7 It's a bit mean, having to jibe about the old boy (3-3)
8 Masculine alternative? (6)
14 Basic English, the French lament, is complicated (9)
16 The very first ateliers were makeshift (8)
17 This ear examiner copes too imperfectly (8)
19 Man returns to look after increase in volume (7)
20 Tye bars treated such minerals (7)
21 A system requiring diplomacy I see (6)
22 Outspoken guide (6)
25 Instant tea or coffee (5)

Solution to Puzzle No.7,351



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WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Sept. 26	Sept. 25	Sept. 24	Sept. 21	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
◊Industrials	2459.65	2485.64	2452.97	2512.38	2999.75 (16/7)	2452.97 (24/9)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	88.69	88.72	88.44	89.14	93.04 (3/1)	88.44 (24/9)	—	—
Transport	846.52	844.67	841.90	876.66	1212.77 (6/6)	841.90 (24/9)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	199.76	200.64	199.76	201.71	236.23 (2/1)	190.96 (24/8)	236.23 (2/1/90)	10.50 (8/4/32)

◊Day's High 2496.04 (2501.24) Low 2435.40 (2437.38)

STANDARD AND POOR'S

	Sept. 26	Sept. 25	Sept. 24	Sept. 21	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite †	305.06	308.26	304.59	311.32	368.95 (16/7)	304.59 (24/9)	368.95 (16/7/90)	4.40 (1/6/32)
Industrials (Latest)	360.02	363.73	359.32	367.10	437.37 (16/7)	359.32 (24/9)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	20.63	21.21	20.96	21.76	31.67 (3/1)	20.63 (26/9)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	167.52	169.20	167.51	171.03	201.13 (16/7)	167.51 (24/9)	201.13 (16/7/90)	4.46 (25/4/42)
Amex Mkt. Value	310.06	313.17	312.84	316.01	382.45 (5/1)	310.06 (26/9)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	350.03	354.78	352.16	362.25	469.60 (16/7)	350.03 (26/9)	485.73 (9/10/89)	54.87 (31/10/72)

	Sept.21	Sep.14	Sept 7	year ago (approx.)
Dow Industrial Div. Yield	4.03	3.95	3.86	3.75
	Sept 19	Sept12	Sept 5	year ago (approx.)
S & P Industrial div. yield	3.29	3.28	3.24	2.81
S & P Indl. P/E ratio	15.12	15.44	15.47	14.42

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Am T & T	7,419,800	31½	- ⅛
MCA	1,820,300	61⅛	+ 7⅛
Citicorp	1,798,200	14⅛	- 1
IBM	1,744,400	105⅛	- 1
Gen Electric	1,731,200	55	- ⅛
Boeing	1,721,300	40⅞	+ ⅛
Philip Morris	1,679,500	44⅝	- ¼
Pepsico	1,677,700	22	----
GTE Corp	1,413,200	26⅛	- ⅛
Exxon	1,284,700	49⅞	- ⅛

TRADING ACTIVITY

† Volume Millions	Sept. 26	Sept. 25	Sept. 24
New York	157.480	156.876	162.210
Amex	9.722	10.989	10.898
NASDAQ	(u)	109.930	114.826
Issues Traded	1,987	1,976	1,983
Rises	421	764	236
Falls	1,118	746	1,418
Unchanged	448	466	329
New Highs	2	5	6
New Lows	310	304	455

CANADA

TORONTO	Sept 26	Sept 25	Sept 24	Sept 21	1990 HIGH	1990 LOW
Metals & Minerals	2873.50	2900.70	2904.20	2984.66	3453.05 (4/1)	2850.80 (23/8)
Composite	3181.48	3205.85	3227.10	3235.38	4009.47 (3/1)	3181.48 (26/9)
MONTREAL Portfolio	1681.40	1691.99	1695.92	1707.30	2060.90 (3/1)	1681.40 (26/9)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Sept. 26	Sept. 25	Sept. 24	Sept. 21	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1385.7	1393.8	1412.5	1428.0	1713.7 (12/1)	1385.7 (26/9)
All Mining (1/1/80)	701.1	700.1	707.0	715.9	868.8 (5/1)	700.1 (25/9)
AUSTRIA						
Credit Aktien (30/12/84)	407.24	400.98	412.53	443.35	703.29 (19/3)	400.98 (25/9)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	4967.11	4959.99	5047.94	5113.75	6599.43 (12/1)	4959.99 (25/9)
DENMARK						
Copenhagen SE (3/1/83)	332.25	331.85	338.76	342.02	388.29 (20/7)	331.85 (25/9)
FINLAND						
Unitas General (1975)	425.0	427.1	432.5	439.7	677.3 (23/1)	425.0 (26/9)
FRANCE						
CAC General (31/12/82)	410.18	414.27	418.05	418.36	554.62 (30/5)	410.18 (26/9)
CAC 40 (31/12/87)	1499.17	1485.39	1502.52	1543.53	2129.32 (20/4)	1485.39 (25/9)
GERMANY						
FAZ Aktien (31/12/58)	586.55	583.33	607.88	611.82	832.32 (19/7)	583.33 (25/9)
Commerzbank (1/12/53)	1681.1	1670.4	1742.8	1754.3	2414.0 (3/4)	1670.4 (25/9)
DAX (30/12/87)	1381.99	1353.40	1416.65	1446.57	1968.55 (30/3)	1353.40 (25/9)
HONG KONG						
Hang Seng Bank (31/7/64)	2778.74	2807.50	2861.77	2931.86	3559.89 (23/7)	2738.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1217.77	1230.28	1242.25	1247.63	1893.19 (22/1)	1217.77 (26/9)
ITALY						
Banca Com. Ital. (1972)	555.71	554.30	562.97	562.30	763.52 (14/6)	554.30 (25/9)
JAPAN						
Nikkei (16/5/49)	22250.62	23359.32	(c)	23777.83	38712.88 (4/1)	22250.62 (26/9)
Tokyo SE (Topix) (4/1/68)	1651.44	1719.36	(c)	1769.77	2867.70 (4/1)	1651.44 (26/9)
2nd Section (4/1/68)	3194.45	3280.17	(c)	3342.09	4477.16 (16/7)	3194.45 (26/9)
MALAYSIA						
KLSE Composite (4/4/86)	473.88	484.43	494.81	507.24	632.22 (1/8)	473.88 (26/9)
NETHERLANDS						
CBS Ttl Rtn.Gen.(End 1983)	232.2	232.4	235.1	239.6	271.9 (20/7)	232.2 (26/9)
CBS All Shr (End 1983)	170.5	170.7	172.6	175.9	206.3 (3/1)	170.5 (26/9)
NORWAY						
Oslo SE (Ind) (2/1/83)	824.40	828.99	835.62	840.51	915.13 (2/8)	701.67 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	551.75	567.11	605.71	626.26	1160.70 (21/3)	551.75 (26/9)
SINGAPORE						
SES All-Singapore (2/4/75)	311.17	315.18	328.25	326.23	446.87 (16/7)	311.17 (26/9)
SOUTH AFRICA						
JSE Gold (28/9/78)	1583.0	1582.0	1514.0	1492.0	2230.0 (16/1)	1322.0 (20/6)
JSE Industrial (28/9/78)	2685.0	2663.0	2672.0	2673.0	3211.0 (6/2)	2663.0 (25/9)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	594.04	593.77	587.39	584.60	928.82 (4/1)	566.27 (17/9)
SPAIN						
Madrid SE (30/12/85)	209.58	210.41	216.31	221.20	309.74 (16/7)	209.58 (26/9)
SWEDEN						
Affärsvärlden Gen. (1/2/37)	971.4	994.1	1030.1	1061.6	1329.9 (3/7)	971.4 (26/9)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	621.6	620.2	632.7	649.1	845.5 (13/7)	620.2 (25/9)
TAIWAN**						
Weighted Price (30/6/66)	2596.79	2701.84	2807.21	3111.41	12495.34 (10/2)	2596.79 (26/9)
THAILAND						
Bangkok SET (30/4/75)	625.06	613.95	647.11	687.95	1143.78 (25/7)	613.95 (25/9)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	437.4	442.2	445.3	571.0 (4/1)	437.4 (25/9)

**Saturday September 22: Taiwan Weighted Price: 2998.38, Korea Comp Ex. 584.94

& Subject to official recalculation.

Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX—1,000, JSE Gold—255.7, JSE 25 Industrials—264.3 and Australia All Ordinary and Mining—500; (c) Closed. (u) Unavailable.

MONTREAL
Closing prices September 26

Sales	Stock	High	Low	Close	Chng
23800	Cambior	$14½	14	14½	+ ⅛
1600	Cascades	$3.70	3.60	3.70	-.05
3112	DomTxtA	$9½	9⅛	9½	+ ⅛
9876	Memotec	$8⅛	8⅞	8⅞	
135136	NatBk Cda	$7⅝	7½	7⅝	- ⅛
30256	Power Corp	$15⅝	14½	14½	- ⅛
12250	Provigo	$9⅛	9	9	
1340	Quebecr A	$11⅛	11	11⅛	+ ⅛
350	Quebecr B	$10⅛	10⅛	10⅛	
2825	Videotron	$10⅛	9⅞	9⅞	

Total Sales 7,281,477 shares.

TOKYO - Most Active Stocks
Wednesday 26 September 1990

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Kobe Steel	37.4m	505	-61	Sumitomo Mtl	5.2m	412	-23
Iwatani Co	8.7m	1,240	-60	MHI	4.6m	681	-29
Hitachi	5.9m	1,150	-60	Honshu Paper	4.2m	4,110	-160
Nippon Steel	5.8m	410	-28	Fukusuke	4.1m	1,920	+10
Iseki Co	5.2m	1,110	-70	NKK	3.9m	401	-26

3pm prices September 26

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A–A–A –								
37½	12⅝	AAR	.48	3.7	8	97	13¼	12⅞	13	
9⅝	7¾	ACM n	1.01	13.		169	8	7⅞	8	
11⅜	9	ACMIn	1.26	14.		812	9⅛	d 8⅞	8⅞	– ⅛
9¼	6⅝	ACM M	a1.01	15.		111	6¾	6⅝	6⅝	
12⅞	10	ACMMM	1.50	13.		122	11⅝	11½	11⅝	+ ⅛
11½	8⅞	ACM Sc	1.26	14.		1116	9	8⅞	8⅞	– ⅛
9⅜	7¼	ACMSp	1.01	13.		285	7⅝	7½	7½	
24⅜	14⅞	AL Lab	.16	.8	17	33	19	18⅞	19	
6⅝	1¼	AM Intl				502	1½	1⅜	1⅜	– ⅛
23¼	7	AM In pf	2	25.		15	8⅛	8⅛	8⅛	
107¼	39¾	AMR			9	4560	42¼	41⅛	41¼	– ½
24⅝	22¾	ANR pf	2.12	9.2		2	23⅛	23⅛	23⅛	
4⅛	2⅞	ARX			10	13	3⅛	3⅛	3⅛	
72¼	42⅝	ASA	3a	5.9		1729	51¼	49⅛	51¼	+ 1
45⅝	30⅝	AbtLab	s.84	2.2	19	5117	39⅛	38⅛	38⅞	– ⅞
14⅞	11¼	Abitibi g	.50			433	13⅛	12⅞	12⅞	– ⅜
11⅜	5⅜	AcmeC	.40	7.3	7	55	5⅜	d 5⅜	5½	– ¼
9⅜	6⅛	AcmeE	.32	5.2	8	2	6⅛	6⅛	6⅛	
32⅝	18⅞	Acuson s			23	1132	28⅛	27½	27⅞	
16⅞	14⅛	AdaEx	2.08e	14.		57	14⅝	14½	14⅝	
15⅝	10	Adobe				154	12⅝	12⅛	12⅛	– ½
20¼	17⅝	Adob pf	1.84	10.		1	18	18	18	– ⅛
21⅝	20	Adob pf	2.40	12.		11	20⅛	20⅛	20⅛	
11⅜	4⅞	AMD			20	3656	5¼	4⅞	4⅞	– ⅜
32⅝	22	AMD pf	3	14.		12	22¼	d21⅝	21⅞	– ⅞
9⅛	2⅛	Advest	.16	7.1	28	1018	2⅛	d 2	2⅛	– ⅛
62½	38	AetnLf	2.76	7.4	6	2990	38⅞	d37⅜	37⅜	– 1⅜
13⅛	8¼	AfilPb	.24	2.9		860	8⅝	8⅛	8⅛	– ⅛
26	13⅛	Ahmans	.88	6.7	6	4748	14⅛	d13	13⅛	– 1⅛
3⅞	1⅞	Aileen			6	10	2½	2½	2½	– ⅛
61	43	AirPrd	1.44	3.2	11	690	44⅞	44⅝	44⅞	+ ⅛
27	16⅞	AirFrt s	.30	1.7	10	687	17⅞	17⅜	17⅜	– ⅛

Continued on Page 43

هكذا من الاصل

NYSE COMPOSITE PRICES

12 Month High Low Stock Div. Yld. E P/ Sls 100s High Low Close Quote Ch'ge Prev. Close

Continued from previous Page

NASDAQ NATIONAL MARKET

3pm prices September 26

Stock Div. Sales 100s High Low Last Chng

AMEX COMPOSITE PRICES

4pm prices September 26

Stock Div. E P/ Sls 100s High Low Close Chng

AMERICA

Dow slips as oil prices head higher again

Wall Street

HIGHER oil prices and increasing concern about a military escalation in the Gulf took their toll yesterday, and the market retraced a good proportion of Tuesday's rally, *writes Janet Bush in New York.*

At 2pm, the Dow Jones Industrial Average was 31.43 lower at 2,454.21 on moderate volume of 113m shares. On Tuesday, the Dow had closed 32.67 higher at 2,485.64, helped by takeover speculation in the entertainment sector after news that Matsushita Electric Industrial is holding acquisition talks with MCA.

MCA continued to rally yesterday, rising $1¼ to $54¾ at midsession but other entertainment stocks dipped back again. Paramount Communications slipped $¼ to $34⅝, Walt Disney $1⅛ to $89 and Time Warner $⅛ to $70⅝.

Oil prices had started out weaker but then turned higher again. On the New York Mercantile Exchange, November futures were quoted 57 cents higher at $38.10 a barrel. This eroded some overnight gains in the bond market and undermined equities which had rallied on Tuesday against a background of falling crude prices.

The UN Security Council voted on Tuesday evening to cut Iraq's air links in a move which tightens the 11-week old embargo on trade with Iraq.

Other influences on the market yesterday included the sharp drop in the Tokyo market overnight. There is also continued pessimism about current negotiations to cut the US budget deficit which appear to have run into stalemate. There was little reaction to yesterday's economic news. US durable goods orders fell by 0.8 per cent in August compared with forecasts of a drop of more than 1 per cent.

Technical strategists have been disappointed in the performance of the market this week since the drop of nearly 60 points on Monday. Although the Dow Jones Industrial Average bounced back by more than 30 points on Tuesday, the rally was far less pronounced in the broad market. This was all the more disappointing given that oil prices were lower on Tuesday and Treasury bonds higher.

Among blue chip issues yesterday, American Telephone & Telegraph was the most actively traded issue on the New York Stock Exchange, falling $⅛ to $31¼. Traders said that the activity was related to the fact that the stock will trade ex dividend from today.

IBM fell $1⅝ to $104⅝, Compaq Computer dipped $⅝ to $40⅝, General Electric lost $⅛ to $55¼ and Philip Morris edged $⅝ lower to $44⅝.

UnionFed Financial dropped $2⅞ to $1⅞ after announcing that it will restate its June year profit to a significant loss.

Tandy Brands fell $⅞ to $11 on the American Stock Exchange on anticipation that the company will report weak sales in September.

Meridian Bancorp fell $1⅜ on the over the counter market to $11⅞ after the bank said that a special addition to its loan loss reserves would lead to a loss in the third quarter of between 86 cents a share and 96 cents a share.

Among other bank stocks, Citicorp, which said that it will cut 100 jobs in its leveraged lending operation within the next two weeks, fell $⅞ to $14⅝, J.P. Morgan dropped $⅝ to $30⅝ and Chase Manhattan fell $⅝ to $11⅞.

Canada

TORONTO was dragged lower by a spate of rumours, all later denied, of a coup in the Soviet Union, an attack on the US embassy in Kuwait and a shot-down Iraqi plane. The composite index lost 24.8 to 3,181.1 on volume of 15.0m shares.

The gold sector, boosted by the higher level of bullion prices, was the only sector to break the downward trend. Banks dropped heavily for the second straight day, due to the continuing worries in the US over the savings and loan crisis. Bank of Nova Scotia eased C$⅜ to C$11¼ and Bank of Montreal lost C$¾ to C$25¼.

Hyperinflation calls the tune in Argentina

John Barham explains why Gulf crisis worries are an afterthought in Buenos Aires

ARGENTINA'S tiny stock exchange is not for the faint-hearted. Prices rise and plunge in instant reaction to the vicious fluctuations of the world's most inflationary economy, and while the country is self-sufficient in oil, the Gulf crisis is an afterthought compared with its domestic predicament.

By last Friday, the Buenos Aires Exchange had risen by 248 per cent in nominal terms so far this year; in dollars, however, the gain was a mere 17 per cent and, in real terms, the index lost 67 per cent. Confused? So are most Argentinians.

The reason is inflation of more than 1,000 per cent this year, combined with an exchange rate which has been adjusted by less than half that amount because real interest rates of up to 40 per cent a year have stemmed demand for hard currency. Put simply, shares have lost value even *faster* than the austral, Argentina's currency.

These cross currents make Argentina's financial markets a speculators' paradise. The stock market is particularly prone to sudden, often extremely sharp movements. That is why nobody buys shares as a long-term investment, and why "long term" in Argentina is about one month.

Mr Juan Bautista Peña, the exchange president, says: "When there are great price oscillations, markets naturally become short term, because there are immense profits – and losses – to be made." In August, share prices fell heavily (in nominal, real and dollar terms) after the government raised interest rates and promised spending cuts to reduce inflation to no more than 15 per cent a month. Share prices have continued falling all this month. On Friday, the Buenos Aires Exchange index stood at 24,955. That is about 4 per cent less in real terms (but 10 per cent more in dollars) than at the beginning of September.

The market is remarkably small. Its equity capitalisation of about $3.5bn is equivalent to just 5 per cent of Argentina's gross national product. Twenty of the exchange's 194 listed shares account for 95 per cent of turnover, which rarely exceeds $4m a day and averaged $2m a day last year. Trading in the country's government bonds is about $6m on an average day.

Severe inflation has virtually killed off a once-proud market. Prices have risen by about 30bn per cent since 1960, when the exchange listed 600 shares. An exchange official explains: "There has been a great process of concentration, through takeovers or bankruptcies, and in this sense the exchange has accurately reflected the economy."

The equities market has ceased to be a place in which to raise capital. For years, companies could borrow at negative real interest rates. However, a recession entering its second decade has brought investment rates down to 9 per cent of GNP, a level comparable with Sub-Saharan Africa.

The government has attempted to rekindle the capital markets by allowing companies to finance specific investment projects with special bonds tied to the inflation index or denominated in dollars.

A handful of companies have issued modest amounts of paper, raising the volume of new bond and share issues in the first half of the year by 125 per cent to $42.5m.

If the immediate outlook for Argentine equities is entirely unpredictable, some analysts say the future is more encouraging. President Carlos Menem has adopted free market policies involving deregulation and privatisation on a huge scale, which he hopes will reduce inflation and revive investment.

A recent report on equities by Fundación Mediterránea, an independent think-tank, comments: "Government policy offers the private sector a leading role in the economy, which doubtless opens great opportunities for efficient companies."

ASIA PACIFIC

Volume remains low while Nikkei falls below 23,000

Tokyo

SHARE prices plunged as investor confidence in the market was battered by further tension in the Middle East and sagging bond prices. The Nikkei average suffered its ninth largest single-day decline of over 1,000 points, falling significantly below the key resistance level of 23,000, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average slipped through 23,000 by the morning close, and from there selling gathered pace to take the index down a net 1,108.70, or 4.75 per cent, to end at 22,250.62. This wiped out over two-and-a-half years' worth of the Nikkei's gains and many leading issues reached their lows for the year. In London, however, the ISE/Nikkei 50 index was just 0.16 easier at 1,249.49.

Mr George Nimmo at SBCI Securities said that a complete erosion of confidence triggered yesterday's sharp decline. Trading was extremely thin, with volume up from Tuesday's 230m shares to only 350m, but selling was aggressive and relentless, Mr Nimmo added. Remarks by Mr James Baker, the US Secretary of State, which suggested the possibility of a military attack on Iraq, jolted the market, while bond prices once again tested new lows. The Nikkei index futures December contract suffered the maximum loss allowed in a single day, while the Topix futures also tumbled.

The Nikkei's fall below 23,000 dealt a devastating blow to investor confidence as there had been widespread hope that the major brokers would do anything to prevent this happening. Indications were that they are no longer able to offer that kind of support.

Financials, steels and electricals were hard hit. Nomura Securities, the world's largest securities house, fell Y130 to a new low for the year of Y1,380. Mitsubishi Bank lost Y20 to Y1,570 and Daiwa Bank shed Y80 to Y1,080.

Large capital issues, such as steels, laboured under high interest rates. Nippon Steel dropped Y28 to a low for the year of Y410. Kobe Steel, which on Tuesday surged on rumours that it would form a joint venture with Alcoa, of the US, succumbed to profit-taking and fell Y61 to Y505. It topped the actives list with 37.4m shares, making up more than 10 per cent of overall volume by an early estimate.

Mitsubishi Heavy Industries weakened Y29 to Y681, moving below Y700 for the first time since May 1988. This was in spite of company expectations of another year of record pre-tax profits.

NTT plunged Y41,000 to Y760,000. The stock is now 76 per cent below its peak in April 1987 of Y3.18m.

Among electricals, Sony fell below Y6,000 for the first time in nearly two years and lost Y370 at Y5,850. Matsushita Electric Industrial attracted some buying in early trading on news it was in talks to purchase MCA Communications, the US film studio, but closed with a loss of Y70 at Y1,560.

Share prices in Osaka met a similar fate, with the OSE average closing below 27,000 for the first time in nearly two years. The index dropped 1,129.91, or 4.2 per cent, to 26,032.07. Volume eased to 34.3m shares from 34.6m.

Roundup

TOKYO'S drop sent shudders through the Pacific Rim markets, which had opened tentatively firmer following Wall Street's overnight gains.

TAIWAN tumbled 3.9 per cent in light trading as modest early rises were wiped out by nervous selling. The weighted index finished down 105.05 at 2,596.79, its lowest level in 32 months. Turnover expanded to NT$13.97bn from NT$12.51bn, and 64 stocks fell the maximum limit of 7 per cent.

HONG KONG partially recovered from early lows as big local players supported their own share prices. The Hang Seng index lost 28.76, or 1 per cent, to 2,778.74, having bottomed out at 2,732, just under the year's lowest closing level. Turnover rose to HK$690m from HK$600m. Property shares suffered the most.

AUSTRALIA lost early gains as Tokyo plummeted. The All Ordinaries index closed down 8.1 at 1,385.7, its lowest point since May 1988. Turnover increased to A$210m from A$168m. Queensland Cement advanced 22 cents to A$3.45 after Switzerland's Holderbank bid A$3.80 for the remaining 75 per cent not already owned. Mr Rupert Murdoch's News Corp fell 44 cents more to A$8.30 and Elders IXL was 8 cents lower at A$1.39, just 1 cent off its 1990 low, after announcing a loss for the year.

NEW ZEALAND ended little changed after Tokyo's drop erased early gains. The Barclays index was off 2.64 at 1,475.72, its fourth five-year low in a row. Turnover dropped to NZ$8.5m from NZ$15.1m in trading dominated by dual-listed stocks. Brierley Investments closed steady at NZ$1.37 awaiting today's results.

SEOUL found support from institutions and the official stabilisation fund. The composite index edged up 0.27 to 594.04 in thin volume of Won97.2bn. Trading was expected to remain thin before the four-day full moon holidays, which start next Monday.

SINGAPORE ignored a number of recent strong corporate earnings reports and fell on heavy stop-loss selling. The Straits Times Industrial index moved below an important technical milestone of 1,100 at one point, but closed at 1,104.24, down 8.95. Volume rose to S$83.7m from S$74.8m.

MANILA was knocked lower by institutional selling as new bombing incidents in the capital scared investors. The composite index dropped 15.36, or 2.8 per cent, to 551.75. Turnover rose to 63.9m pesos from 46.9m.

KUALA LUMPUR fell to a new low for the year. The composite index lost 10.55, or 2.18 per cent, to 473.88.

BANGKOK closed higher on a technical rebound in thin trade as bargain hunters moved in on bank and cement issues. The SET index rallied 11.11 to 625.06.

JAKARTA was pulled lower by financial shares, with the composite index losing 13.13, or 2.8 per cent, to 464.25.

BOMBAY fell on rumours that Prime Minister VP Singh had resigned because of student unrest over a plan to give more jobs to lower caste Hindus. Continued violence in New Delhi also affected sentiment. The BSE index dropped 61.96 to 1,404.15.

EUROPE

Bourses take heart from Frankfurt

OPENING after another severe shock in the Tokyo market, and closing before the decline in Wall Street accelerated in the American mid-morning, senior Continental bourses took their lead from the intra-day swing in Frankfurt, *writes Our Markets Staff.*

FRANKFURT ended with a technical bounce of 2.1 per cent, the DAX index rising 28.59 points to 1381.99 after nine consecutive days of losses; but it also had to bounce back from an opening fall of 1.1 per cent to a new 1990 low of 1,338.62. Even at midsession, the more broadly based FAZ index was only 3.22 better at 586.55.

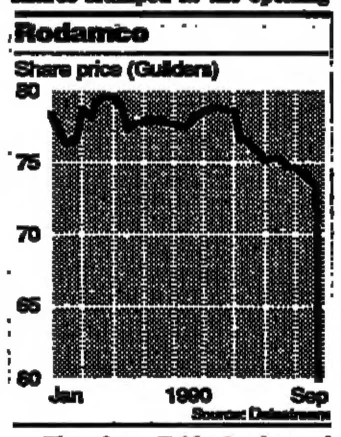
The change in direction was explained by the influence of Tokyo's overnight fall being replaced by domestic short covering. The differential between the DAX and the FAZ was partly put down to traders buying the big stocks in the DAX index.

There seemed a point to the index argument. Deutsche Bank gained DM17 to DM601 while the Bavarian banks, Bayernhypo and Bayernverein, were both about a percentage point lower. The big car companies all rose, with Daimler DM20 better at DM598, but Porsche fell DM29 to DM801.

Similarly, among the electricity utilities, the big holding companies RWE and Veba put on DM26 and DM10.50, to DM383 and DM299 respectively but VEW, smaller but a strong relative performer on its 'pure' utility status, fell DM4.50 to DM202.50.

AMSTERDAM concentrated on Rodamco shares which resumed trading after a two-day suspension following the property fund's decision to stop buying back its own shares at net asset value. The shares slumped at the opening

Rodamco



to Fl 55 from Friday's close of Fl 73.30, a drop of 25 per cent, before ticking up to close at the day's high of Fl 60.00.

There were some reports that Robeco had mounted a support operation. Around 1m shares were traded and brokers said the sellers were mainly domestic. One broker said it would be difficult for the market to make a decent valuation of the stock, considering that Rodamco's daily valuations had been made on a cash-flow basis from rents received. Furthermore, around 80 per cent of Rodamco's holdings were in the US and the UK, where the property prices have taken a beating. "We are really into uncharted territory," he said.

Elsewhere, trading was very volatile as volume dried up. The CBS Tendency index closed 0.1 ahead at 93.8, having crawled up to a day's high of 94.4 earlier.

MILAN ended widely mixed amid a spate of fresh news and first half company results. The Comit index rose 1.41 to 555.71, but losers outnumbered gainers by 172 to 136.

A proposal from the Finance Ministry to introduce a tax on capital gains on share trading with effect from January 1, 1991, dampened prices briefly. Ms Melinda Diamond of Barings Securities pointed out that the tax, rumoured to be set at around 25 per cent, had been widely anticipated and moreover, private investors still had a rather small impact on the market.

The real test for the market comes today, when Fiat and Olivetti unveil their first half results. Fiat closed L53 lower at L6,035 while Olivetti rose L10 to L3,761, supported by news that Mr Carlo De Benedetti's French holding company Cerus had sold 4.4 per cent of Société Générale de Belgique in exchange for a stake in the French group IndoSuez. Cir, his Italian holding company, fell L40 to L2,940 at the official close but then surged more than 3 per cent to L3,030 after hours.

PARIS took its cue from Frankfurt, the CAC 40 index rising 13.78 to 1,499.17, after a high of 1,515.66 and a low of 1,471.71, in volume estimated at around FFr2bn.

Total's rubber subsidiary Hutchinson saw one of the sharpest rises, gaining FFr85 or 11.5 per cent to FFr825. Total itself closed FFr22 lower at FFr687 as oil prices eased. The timber company Pinault, which said earlier this week that it would merge with the trading group CFAO lost another FFr40.80 to to FFr302.

STOCKHOLM dropped 2.3 per cent, its 11th straight decline, the Affärsvärlden general index shedding 22.7 to 971.4 in volume down from SKr500m to SKr2767m.

Hopes of a technical rebound here were dashed by news of problems among Swedish financial conglomerates using shareholdings as collateral; there were also some worries about the domestic real estate market. In OSLO, lower oil prices left the all-share index 2.44 lower at 557.96; and HELSINKI, where bankers are apparently telling overborrowed investors to sell their shares, caught up with Frankfurt as the Unitas index dropped another 2.1, or 0.5 per cent to 425.0.

MADRID drifted lower, though firmer banking and utility shares put a brake to the market's slide. The general index slipped 0.83 to 209.58. Volume was estimated at Pta8.5bn after Pta9.3bn.

SOUTH AFRICA

A WEAK financial rand kept sellers at bay, and the Johannesburg all-gold index closed a point higher at 1,583, with Vaal Reefs unchanged at R290, although trading was described as thin. The industrial index rose 22 to 2,685.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY SEPTEMBER 26 1990								TUESDAY SEPTEMBER 25 1990					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (79)	134.92	−0.6	107.31	117.01	110.27	107.95	−0.6	7.06	135.74	107.25	117.77	110.36	108.66	158.31	125.85	155.87
Austria (19)	180.32	+1.0	143.42	156.39	147.37	146.90	+1.3	1.86	178.57	141.06	154.93	145.20	144.94	285.63	178.57	161.06
Belgium (61)	126.82	+0.1	100.87	109.98	103.64	100.86	+0.4	5.74	126.67	100.06	109.89	103.00	100.43	160.02	126.67	144.47
Canada (119)	128.50	−0.9	102.21	111.44	105.02	107.34	−0.5	3.73	129.62	102.41	112.45	105.39	107.89	153.61	128.50	148.82
Denmark (33)	235.36	−1.2	187.20	204.13	192.36	191.91	−0.5	1.55	238.22	188.21	206.68	193.70	192.88	277.82	235.36	196.69
Finland (26)	103.43	−1.4	82.27	89.71	84.54	80.90	−1.0	3.39	104.88	82.85	90.98	85.27	81.70	152.29	103.43	123.12
France (122)	124.96	−0.4	99.40	108.38	102.13	103.17	+0.1	3.98	125.52	99.17	108.89	102.05	103.07	168.85	124.96	139.63
West Germany (92)	104.02	+0.2	82.74	90.23	85.01	85.01	+0.7	2.64	103.85	82.05	90.11	84.44	84.44	144.63	103.85	100.92
Hong Kong (48)	113.10	−1.2	89.96	98.08	92.44	112.68	−1.2	5.80	114.43	90.41	99.28	93.05	114.01	147.49	112.24	114.66
Ireland (17)	139.04	−1.6	110.59	120.58	113.63	114.57	−1.1	4.56	141.26	111.61	122.56	114.86	115.89	198.57	139.04	159.92
Italy (94)	80.87	−0.3	64.32	70.13	66.09	71.03	+0.3	3.35	81.10	64.08	70.36	65.94	70.81	109.26	80.87	94.68
Japan (454)	114.09	−4.0	90.74	98.94	93.25	98.94	−4.1	0.85	118.87	93.92	103.13	96.67	103.13	197.26	114.09	189.78
Malaysia (35)	188.39	−2.4	149.84	163.38	153.96	195.94	−2.4	3.11	192.93	152.43	167.38	156.87	200.66	250.89	188.39	202.32
Mexico (13)	499.68	−0.2	397.43	433.35	408.38	1581.87	−0.1	0.33	500.52	395.45	434.24	406.98	1583.99	561.41	324.53	311.66
Netherland (42)	129.29	+0.2	102.84	112.13	105.67	104.57	+0.8	5.44	129.04	101.95	111.95	104.93	103.77	149.08	129.04	129.87
New Zealand (16)	56.79	−0.6	45.17	49.25	46.41	48.72	−0.2	7.32	57.12	45.13	49.56	46.45	48.82	75.36	56.79	83.36
Norway (23)	250.22	−1.5	199.02	217.01	204.51	206.41	−1.0	1.54	254.08	200.74	220.44	206.60	208.56	276.79	202.34	188.51
Singapore (25)	150.06	−2.0	119.36	130.14	122.64	122.12	−2.0	3.42	153.07	120.94	132.80	124.46	124.57	209.24	150.06	164.19
South Africa (60)	168.32	−0.7	133.88	145.97	137.56	142.34	+0.9	4.08	169.50	133.92	147.05	137.82	141.14	251.39	163.60	160.23
Spain (42)	128.85	−0.6	102.48	111.75	105.30	95.81	−0.4	5.75	129.68	102.46	112.51	105.44	96.16	182.25	128.85	169.75
Sweden (34)	167.80	−1.8	133.47	145.53	137.14	143.33	−1.3	2.80	170.84	134.98	148.22	138.91	145.23	234.93	167.80	178.97
Switzerland (65)	85.56	−0.6	68.05	74.21	69.94	69.54	+0.2	3.05	86.06	68.00	74.67	69.99	69.39	109.77	85.56	90.28
United Kingdom (300)	148.64	−0.5	118.22	128.90	121.47	118.22	+0.2	5.89	149.37	118.02	129.58	121.45	118.02	176.18	139.87	154.70
USA (534)	123.01	−1.0	97.84	106.69	100.54	123.01	−1.0	4.00	124.23	98.15	107.79	101.02	124.23	148.95	122.75	140.31
Europe (970)	125.45	−0.4	99.78	108.80	102.53	101.12	+0.2	4.60	125.90	99.47	109.23	102.38	100.88	157.65	125.46	132.28
Nordic (116)	177.39	−1.5	141.09	153.84	144.98	142.15	−0.9	2.14	180.07	142.27	156.22	146.42	143.47	223.29	177.39	165.95
Pacific Basin (657)	114.72	−3.8	91.24	99.49	93.76	99.58	−3.8	1.30	119.22	94.20	103.44	96.94	103.53	192.75	114.72	185.65
Euro−Pacific (1627)	119.40	−2.3	94.97	103.54	97.58	100.94	−2.1	2.72	122.26	96.60	106.06	99.41	103.11	174.18	119.40	164.41
North America (653)	123.28	−1.0	98.04	106.91	100.76	122.02	−1.0	3.98	124.47	98.34	108.00	101.23	123.19	148.43	123.10	140.72
Europe Ex. UK (670)	110.84	−0.3	88.16	96.14	90.61	90.87	+0.3	3.67	111.12	87.80	96.43	90.37	90.62	145.62	110.84	117.77
Pacific Ex. Japan (203)	121.43	−0.9	96.58	105.33	99.25	104.21	−0.9	6.27	122.59	96.86	106.37	99.69	105.20	146.72	121.43	136.02
World Ex. US (1819)	120.41	−2.3	95.77	104.43	98.41	101.94	−2.0	2.76	123.19	97.33	106.89	100.17	104.03	173.77	120.41	163.92
World Ex. UK (2053)	117.59	−2.0	93.53	101.99	96.12	107.51	−1.9	2.87	119.96	94.78	104.08	97.55	109.57	162.00	117.59	154.41
World Ex. So. Af. (2293)	120.06	−1.8	95.49	104.13	98.13	108.34	−1.7	3.19	122.29	96.62	106.10	99.44	110.18	161.84	120.06	154.39
World Ex. Japan (1899)	124.80	−0.7	99.26	108.24	102.01	113.79	−0.5	4.31	125.71	99.32	109.07	102.23	114.33	151.59	124.80	137.74
The World Index (2353)	120.35	−1.8	95.72	104.38	98.37	108.57	−1.7	3.20	122.57	96.84	106.35	99.67	110.40	162.05	120.35	154.42

Constituent Change: Deletion: Fitch Lovell (U.K.).